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BULGARIA

Basic Information on New Parties Published

Christian Radical Party [KhrP]

90BA0247A Sofia BTA NEWS BULLETIN in English
21 May 90 p 8

[Unattributed article: "The Christian Radical Party (Khristiyanradikalna Partiya)"]

[Text] The party was founded at the end of April, 1990. It comprises former members of the Christian Democratic Party and of the Bulgarian Christian Democratic Party (Centre). It is a member of the United People's Union opposition bloc. The party is governed by a Supreme Administrative Committee chaired by Mr Totyu Petrov. The Christian Radical Party has been registered under No. 57 on May 3, 1990. Contacts with it can be established at the following address: Sofia, 4 Pordim St, Enchev and on telephone 89-40-11.

The Christian Radical Party will accept as members all citizens who have the right to vote, as well as Bulgarians living abroad. The Christian Radicals will struggle firmly and perseveringly, by all legal means, against the materialistic views and teachings based on the works of Marx and Engels. The party recognizes unconditionally the Bulgarian Orthodox church as the official religion of the country and will insist on its independence and integrity. The Christian Radical Party has proclaimed itself to be a party of big business, i.e., it has declared itself for the unconditional freedom of investments, for the denationalization of property and for a free and complete market economy. At the same time, in the spirit of Christian principles, the party will strive to aid the socially weak and this will include the guaranteeing of a normal living standard.

In the intellectual sphere the Christian Radicals will struggle for educational reform in accordance with world trends and achievements. They will insist on the introduction of optional religious teaching in schools and higher educational establishments and on the access of priests to prisons, hospitals and the army.

'New Democracy' BNU

90BA0247B Sofia BTA NEWS BULLETIN in English
21 May 90 p 9

[Unattributed article: "The New Democracy Bulgarian National Union"]

[Text] The Union was founded as a political organization on March 3, 1990. It is headed by a 10-member Central Council chaired by Mr Ivan Lazarov. The New Democracy Bulgarian National Union was officially registered under No. 31 on April 19, 1990 and it will take part in the forthcoming elections with an independent ballot-paper. Contacts with it can be established at the

following address: Sofia 1612, zh.k. "Khipodruma" bl. 134/A, vh. "A", Penchev, and on telephone numbers 59-59-73 and 6-26-69.

The New Democracy Bulgarian National Union (BNU) is "an open community of people sharing the same views. It has been set up at a dramatic moment in the history of the Bulgarian people. The economic catastrophe, the moral degradation, the devastated national spirit, the skepticism and the alarming apathy, the aggravated interethnic relations and the aspirations of some neighbouring countries are a cry for rescue from hell. Therefore then New Democracy BNU appeals to all citizens: "Let us Save Bulgaria!", the document of the New Democracy BNU reads.

In the programme of the Union it is laid down that it will struggle for the establishment of a revived state with a nation of people, united and solid, and for a highly civilized and socially just State committed to the rule of law, a State which will guarantee all human rights and freedoms.

New Democracy will do all that is possible to have laws adopted to exclude the possibility of the existence of privileged groups and individuals in Bulgaria. The Union is for an economy based on private property, personal enterprise and voluntary cooperative unions. At the same time the State should regulate some of the most important sectors of the national economy and take care of the socially weak strata of the population (BTA).

Liberal Party

90BA0247C Sofia BTA NEWS BULLETIN in English
22 May 90 p 7

[Unattributed article: "The Liberal Party (Liberalna Partiya)"]

[Text] The Liberal Party was founded on February 11, 1990 in the town of Pernik, but it is working on a national scale. It was registered on February 22, 1990. The party is headed by a 3-member Committee chaired by Kiril Borisov. It can be contacted at the following address: Pernik 2300, 8 G. Dimitrov Blvd, Liberal Party; tel. in Pernik (code 076) 2-31-61 and in Sofia 79-66-18.

The party has been proclaimed the successor to the Liberal Party of Petko Karavelov which laid the foundations of the Bulgarian State after its liberation from Ottoman rule. According to the Liberal Party the way to save the country will be by establishing the principles of free-thinking, democracy, progress and social justice.

The party has declared that it will resolutely oppose all forms of extremism and violence. The Liberals are for an accelerated stage by stage transition to market economy and it is for the use of "shock therapy" only in respect to those who have achieved wealth unlawfully, and of the

illegally privileged class of the nomenklatura. The party insists on tolerant and constructive cooperation among all the forces struggling for the democratization of Bulgaria.

Prisoners' Defense Association

90BA0247D Sofia BTA NEWS BULLETIN in English
22 May 90 p 9

[Unattributed article: "The Obnovlenie (Renewal) Political Party—An Independent Society for the Defence of the Rights of the Imprisoned"]

[Text] The idea of setting up such a party emerged after November 11 at the prison in Vratsa (the first prisoners' strikes started there). Later the first two organizations of the party were founded in Sofia and Ruse. The Obnovlenie Political Party was officially registered on April 20, 1990. It is headed by a Coordinating Committee chaired by Mr Tsvetomir Belchev. Contacts with it can be established at the following address: Ruse 7005, Petrokhan St., bl. "Silistra", vh. "B" et. 6; and on tel. (082) 4-64-16—Elena Tsvetkova.

In the platform of the party it is pointed out that its founders will be guided by the belief that the priority of human rights and freedoms is a supreme value in all civilized societies. Obnovlenie is an organization which will struggle for the objective and impartial application of the Constitution and the Penal Code towards all accused, sentenced and imprisoned, for erasing the scars left on the human soul by the violence of totalitarianism and for improving the relations between the prisoners and the prison authorities.

The party will base its activities on the principles of law, freedom of thought, democracy, mutual assistance and respect for the opinion and interests of the people.

CZECHOSLOVAKIA

Foreign Policy of Past 7 Months Assessed

90CH0367A Prague LIDOVE NOVINY in Czech
3 Aug 90 p 3

[Article by Alexandr Kramer on seven months of new Czechoslovak diplomacy: "Policy With a Nonpolitical Horizon"]

[Text] The last ruling team of the Communist regime in Czechoslovakia was "elected" during the night between 20 and 21 August 1968 by tanks of a foreign power. Because it was forced on the people of their own country against their will, it had to depend during the entire duration of its rule above all on the power which elevated it to its ruling position. The question is whether it had some room to manoeuvre in such circumscribed conditions (the Hungarian and Polish examples indicate a positive answer); the fact is, it did not make the effort.

If we direct our attention at the foreign policy of our country we can observe that it subordinated itself totally to the global interests of the Soviet Union. Intimations of "independent thinking" (in a highly dubious direction) began to be displayed by the Czechoslovak Communist leadership only at the moment when it realized to its consternation that the metropolis, on which it was dependent for its existence, no longer was monolithic. The Husaks, Jakeses, Fojtices, and Stepanes were all of a sudden faced with the necessity to decide to which political stream in the USSR they should link their future. Logically, they bet on the neostalinists (similarly as their fellow believers in Berlin, Bucharest, and Havana, with whom they tried to create some kind of "holy alliance") and thus they signed their own death certificate.

The government which was elevated to the head of the state by the November revolution resolved from the beginning of its existence that the main goal which Czechoslovak foreign policy will pursue from now on will be to benefit Czechoslovakia and its citizens. But at the same time, in sharp contrast to the amoral, purely egotistical philosophy of their predecessors, the new people "upstairs" came with the determination to bring into policy, both domestic and foreign, decency as its guiding principle. "Politics need not be merely a stage for competing interests, but can also be a matter of self-sacrificing work for universal benefit," said the new president of the Republic on 23 January 1990 in his speech to the Representatives in the Federal Assembly. "I would like to suggest even on this floor, within my limited possibilities, something like a spiritual, suprapersonal, or, if you will, an apolitical horizon of politics."

Problems, with which our new foreign policy is grappling, and will be grappling to a much greater degree, were therefore already given by its basic premises. On the one hand an emphasis on the benefit for one's own country (therefore, the pragmatic viewpoint), on the other hand a no less strong emphasis on the ethics of our own conduct (spiritual, suprapersonal viewpoint). We are not talking, of course, about any original dilemma—with the exception of the unprincipled regimes, all governments and all politicians must grapple with it every day—but it is new for us. The method with which Czechoslovak foreign policy approaches its solution is contained almost in its totality in the above-mentioned quote.

Here Havel's idea about universal benefit, carried over from the area of interpersonal relationships to the area of relations among nations appears to be key. To put it more simply: From the moment we accept as our principle that our own benefit is inseparable from the benefit of others, we no longer have to ponder the morality of our conduct too much; it flows from it automatically. It is practically the same thing as has been expressed in the political vocabulary of recent years by the term "new thinking."

The most telling example of the new orientation of our foreign policy is its endeavor to have Czechoslovakia "return to Europe." There is practically a consensus that this return would be highly beneficial for us. (Not even the Communists, it seems, have any basic objections.) The endeavors of other countries, especially Poland and Hungary, are also aimed in the same direction. But it is precisely in comparison with their endeavors that the differences in the Czechoslovak approach come to the fore. Whereas the Poles and the Hungarians simply "only" strive for the quickest possible acceptance and incorporation into the West European structures, the formulators of our foreign policy are of the opinion that these structures need to be changed. "(...) We are doing all we can so that Europe would be able to really accept us—as its children who lost their way. It means that it would open up to us and slowly begin to transform its structures—formally European, to be sure, but *de facto* West European—in this direction." (V. Havel in his speech to the U.S. Congress on 21 February 1990) Or: We consider it difficult, if not actually impossible, to return to Europe that is divided into blocks, in which each is guarding the particular interests of one side. Our priority is universal benefit in the form of a new, all-European security system, whose genesis we envision in three stages: 1) setting up a European security commission (we propose Prague as the seat of its headquarters), 2) formation of the Organization of European Countries (with the participation not only of the Soviet Union but the United States and Canada as well), 3) the birth of confederated Europe of free and independent countries.

There is no doubt that this initiative, supported by the moral authority of the Czechoslovak president, brought our country attention; it certainly cannot be said that we crawled back into the arena of international politics as humble petitioners. There is, of course, also the opinion that a little more modesty would become a country that is only beginning to learn about democracy; that rather than giving advice to others, we need advice ourselves. It is interesting that while reservations about the messianism of our foreign policy are generally of domestic provenance, the critics in the West find fault with its utopianism. Practical objections to our European initiative (of the kind: Who would be able and how to effectively put out the conflicts within that all-embracing new community?) cannot at the same time be simply written off as manifestations of the old, egocentric thinking; even the most ardent advocates of maintaining NATO and its deterrent forces (M. Thatcher, et al) are undoubtedly convinced that they are acting in common interest. And who can assert with certainty that they are mistaken? Universal benefit as an omnipotent magic formula obviously is not sufficient—as any category even this one is relative, perhaps this one even more so than others. The formulators of our foreign policy are certainly aware of the stumbling blocks and risks with which everyone who sets lofty goals for himself must count. At the same time, at issue is not only the uncertain result of such efforts, but also the lack of clarity of the

goal itself, whose outlines will stabilize only in the course of a long process. It is precisely these risks that make critics uneasy. Are we not biting off more than we can chew? Should we not better adapt ourselves to the world as quickly as possible rather than try to change it? Is it clear to the West what it is we actually want? Is it clear at least to us? Would it not be wiser and more practicable, for example, to simply leave the Warsaw Pact than to try to transform it or even to dissolve it? Experienced politicians (H. Kissinger and others) are recommending to us practical solutions, attainable in a relatively short time. Should we not listen to them?

One can naturally challenge the critics: rebuke them for their lack of imagination and courage, remind them with Jan Neruda that only those are small who aim low. It can be pointed out that attacking the nearest goal makes sense only if these are individual attacks subject to a general strategic concept, and that if dreamers and visionaries did not exist the world would never move forward. (If such quite "preposterous" dreams as the introduction of democracy in Eastern Europe or the unification of Germany can be realized, why could not one day even the dream about European confederation become reality?) All these noble and principled answers will of course hold up only if they are sanctified by practice. In other words, if Czechoslovak diplomacy wants to defend and justify its direction toward grandiose distant goals, it must produce on this long journey concrete successes in attaining very prosaic goals close at hand. The question is therefore inevitable: Where was the Czechoslovak foreign policy successful? And where has it not succeeded as yet?

On the list of assets belongs, without doubt, the international prestige our country has gained, for which credit goes to the extraordinary travel activity of our representatives, with the president of the Republic at the head. There was also a sharp increase in the frequency of important foreign visits in Prague and Bratislava, we made many new contacts, we learned much about others and we gave them information about us. By all this we are creating the necessary preconditions for future concrete cooperation.

Further: We gained the status of a guest in the European Council with good prospects for full membership, and in the immediate future we shall obviously be accepted as members of the International Monetary Fund. The United States granted us the most-favored-nation status, the Soviet Union promised to withdraw its units from our territory by the middle of next year, and we came back with honor from the important highest level meeting of the Warsaw Pact in Moscow. We entered into diplomatic contacts with Israel, and our relations with the Vatican markedly improved. We are developing a rich, political activity on regional and intercountry levels. Our citizens travel freely abroad, and the number of foreign visitors here has increased. We made agreements with many countries on discontinuing requirements for visa. We withdrew spies from our diplomatic delegations around the world, and we are beginning to

grant asylum to people who are persecuted in their own countries. We are beginning to repay our debts to our countrymen abroad. We are developing relations with foreign countries on the local level—with towns, schools, universities, organizations. We declared war on terrorism, we pledged to stop the export of arms. And so on.

And where are we not very successful as yet? Our foreign policy is the least successful, it appears, in serving the economy of the country. From the West, for the time being, we are getting mostly sympathy and promises but little real assistance; here, obviously, we are paying a price for the unsettled internal conditions and lack of coordination of our policy at home and abroad. Markedly unsuccessful are our efforts to build a new model of mutually advantageous economic relations with the Soviet Union. The West basically ignores "Dientsbier's plan", according to which the West's financial assistance directed to the Soviet Union is to flow through the countries of Central Europe. We are not very successful in coordinating our foreign policy efforts with Poland and Hungary; we are still waiting for answers to the President's "ten questions" (Bratislava, 9 April 1990). We withdrew the spies from our representative outposts only in the middle of the year. Relations with foreign countries at local levels are not developing at a sufficient rate. We are still exporting arms. And so on.

Let us also take a look at some examples of the "conceptual errors" and "amateurish blunders" committed, according to the critics' opinion, by people who now stand at the helm of our foreign policy. Many reservations are leveled directly at the President of the Republic. Is it acceptable that he appears on the international scene partly as the head of state and partly as a private person? As a politician and at the same time as a philosopher? Do not these roles create in him inner conflicts that reflect the general contradiction between the politics of interest and the morality of an individual guided only by his own conscience? Was it wise to antagonize a power such as China by inviting the Dalai Lama for a "private" visit? Was it right to go to Salzburg? Is it not absurd to demand that Sweden return the spoils of war which their distant ancestors took away from us hundreds of years ago? Would it not be smart, before inviting the American and the Soviet presidents to a meeting on our territory, to find out through diplomatic channels whether such offer would be of interest to them? What good does it do to issue hard demands for a deadline for the withdrawal of Soviet troops and then a week later admit that we based them on insufficient information about the problems connected with this matter? What sense does it make to offer mediation services to those who will without doubt reject them (Moscow-Vilnius, PLO-Israel)? Should not the president surround himself with more qualified advisers? Should not the Minister of Foreign Affairs, before announcing in an interview the end of arms exports, consult with the Minister of Foreign Trade, so that his spokesman would not have to set the matter right later? Should not the president's spokesman spend

more time studying the diplomatic talk of his foreign colleagues (beginning with M. Fitzwater and ending with G. Gerasimov)? Is not the formulation and the realization of Czechoslovak foreign policy riding on two tracks between the Castle and the Cernin Palace? Does our foreign policy give enough consideration to geopolitical viewpoints? Are we not forgetting the necessity to create realistic guarantees of the future stability of our country in the form of balanced relations with powerful neighbors, present and future?

The list of reservations and strictures is, as is obvious, very long. (And I certainly did not mention all of them). They are not equal in importance and the direction in which the attacks are directed is not always the same either. (For example, the objection to the invitation of the Dalai Lama has obviously a quite opposite motivation than the disapproval of the meeting of V. Havel with K. Waldheim.) Some of the critical observations are probably justified, others evidently do injustice, most often the issue is simply a matter of opinion. I shall not scrutinize them here individually and add another one to the multitude of heads and brains. I would just like to point out that most of the issues we are talking about here are immediately connected with the new style of our foreign (and of course also our domestic) policy—a style that bears distinct marks not only of the philosophy of life, but also the personal characteristics of the people whom we gave our trust; most of all, of the personality of Vaclav Havel himself. I believe that the most distinct feature of this style is openness, or in other words, genuineness, lack of pretense. Therefore qualities which we missed the most in the exponents of the totalitarian system. I think that we are slowly coming to the realization that it is difficult, if not impossible, to behave with total openness and at the same time avoid clashes of opinion or perhaps making here and there an obvious mistake. The helmsmen of our state will have to reconcile themselves to the fact that they will continue to be under the fire of public criticism—and the rest of us will simply have to keep in mind that even in a democratic society the leading positions are occupied by mere people, not infallible demigods.

During his stay in the United States, Vaclav Havel expressed the idea that in politics the twilight of the professionals has begun. But immediately after his return he also said in the Old Town Square that we all must learn and become professional. The contradiction in these two statements, already epitomized in the words about the apolitical horizon of politics need not make anyone uneasy; after all, Karl Marx does not hold the exclusive patent for dialectics. The need to harmonize antitheses and the difficult search for balance—between genuineness and professionalism, between pragmatism and morality—will, after all, be the main problem even in the future with which our foreign policy will have to grapple.

How will it, for example, handle such a difficult problem as our relations with Iraq—a country with an abundance of crude oil that we urgently need...and with a regime that inspires horror?

HUNGARY

'COCOM Office' To Be Established

25000762C Budapest NEPSZABADSAG in Hungarian
28 Jun 90 pp 1, 3

[Interview with government delegate Dr. Zsolt Kohalmi by Peter Vajda; place and date not given: "Hungarian 'COCOM [Coordinating Committee on Export Controls] Office' To Be Established"—first paragraph is NEPSZABADSAG introduction]

[Text] In our Wednesday issue we reported on negotiations between the Hungarian and the U.S. Government regarding COCOM [Coordinating Committee on Export Controls]. We asked government delegate Dr. Zsolt Kohalmi about the specific changes that will occur as a result of the negotiations. He was the leader of the Hungarian delegation.

[Kohalmi] Last week's NEPSZABADSAG article signaled already the essential changes being prepared. The regulations in force until 1 July were disadvantageous from our standpoint in several respects. Even parts of small personal computers which journalists carry in their handbags as an electronic notebook were subject to license. The same applied to many larger computers needed for example in modern banking or in making railroad or airline reservations. Alleviations were made in regard to telecommunications, but, for example, low cost, high capacity fiber optic equipment was stringently limited. Our opportunities to acquire digital telephone centrals were strongly curbed. Although this will obviously sound grotesque, these had to be redesigned to meet current standards, standards which had previously been exceeded. In the field of machine tools there were also stringent limitations, so much so that if we wanted to buy back some Hungarian equipment we would have found those on the COCOM list.

[Vajda] What is the alleviation, as compared to this?

[Kohalmi] Even the most modern professional computers may be imported without a license. The alleviations are significant in regard to large computers characterized by state-of-the-art speed and storage capacity. These large computers will not require a license, although the exporting country's laws may require one. In the field of telecommunications, alleviations for Hungarian, Czech and Polish importers on certain items go beyond what we had requested earlier. They make possible the infrastructural development that is indispensable to attract foreign capital. Fiber optic transmission systems and digital centrals become accessible. Incidentally, we can count on the January COCOM meeting producing additional alleviations.

[Vajda] Does the "liberalization" frequently mentioned in conjunction with COCOM mean that controls will be exercised in a more liberal way, more lightly?

[Kohalmi] No, it does not mean that. The list is smaller, but whatever remains on the list will be controlled more tightly.

[Vajda] Will the mechanism of control change?

[Kohalmi] This fall already, we are establishing an export control office to maintain relations and cooperation with corresponding institutions in the COCOM countries.

[Vajda] Are enterprises not concerned that the interjection of an office like this will slow down the licensing process?

[Kohalmi] A fear like this has no foundations; if there exists such fear. This Hungarian "COCOM Office" will streamline its operations with the exporters. In the past, licensing took at least two months; we expect that in most cases this time frame will become shorter.

[Vajda] To what do you personally attribute this breakthrough in our relations with COCOM? You headed these negotiations with the Americans.

[Kohalmi] They appreciate the system of guarantees we provide, i.e., the Hungarian Government guarantees that everything will be used at the place and for the purpose for which the license was granted. They appreciate the fact that they will have an opportunity to effect on-site controls, while observing our sovereignty.

[Vajda] What happens if perhaps an earlier allied power attempts to acquire the technology for which we received a license?

[Kohalmi] The relevant government agencies will thwart such illegal attempts if they occur. Our national interest has top priority.

[Vajda] Can the COCOM countries be certain that their products will not be forwarded to an end user in a different country from the country of destination?

[Kohalmi] At this point they may be absolutely certain of that, and it appears that they feel certain at present.

[Vajda] In the past they did not feel that there were guarantees for that. Could it be that they had some ground for that?

[Kohalmi] There were times when they could have had such grounds. For a long time an ideological approach characterized both sides. This has come to an end. From the U.S. standpoint the political changes prove that we recognize the existence of COCOM and the rules of the game. I am confident that in the not too distant future we will no longer be faced with any kind of restriction.

[Vajda] In other words, are we moving from the present "Chinese status" to the "GDR status"?

[Kohalmi] Essentially, this is the view.

SZDSZ Chairman on Quitting Warsaw Pact

*90CH0256A Budapest MAGYAR HIRLAP
in Hungarian 15 May 90 p 3*

[Article by Janos Kis: "What We Need Is Not Another Statement of Withdrawal"]

[Text] In the following, we present the article of Janos Kis, president of the Alliance of Free Democrats [SZDSZ], on our withdrawal from the Warsaw Pact. We are providing so much space for his arguments not only because of their timeliness but also because the SZDSZ's proposal, presented at last week's session of the National Assembly, created a stir throughout the country and abroad and caused many misunderstandings. The article of the SZDSZ president elucidates and elaborates on numerous issues of their proposal which, incidentally, have been commented on several times with certain critical reservations in our publication.

On 1 November 1956, Hungary's revolutionary government withdrew, with immediate effect, from the Warsaw Pact. At the same time it appointed a delegation which was to go to Warsaw to discuss the details of the withdrawal. But Geza Losonczy and his associates did not have a chance to depart: On 4 November the Soviet Army launched a general offensive against Budapest, toppled the Imre Nagy administration, and installed another cabinet in the Parliament building which abrogated the statement of withdrawal.

After 4 November there could be no talk about free elections either, which were demanded by the people and promised by the revolutionary government. We had to wait more than 33 years until the crisis of the regime made democratic elections unavoidable. One of the very first tasks of the new representative National Assembly is to reinstate the legal continuity of the 1956 revolution and to clarify the position of the Republic of Hungary, proclaimed on the 33rd anniversary of the people's uprising, regarding the fundamental measures taken by the revolutionary government, including the withdrawal from the Warsaw Pact.

The first step has been taken: The National Assembly enacted the historic significance of the revolution. This made it not only possible but morally unavoidable for the legislators to make a decision on the 1 November government announcement as well. The moment has come when Hungary may declare her insistence on independence and begin its restoration.

Legal Continuity of 1956

It is not the first time in our history that a tragic defeat subsequently turned into a source of strength. Without the defeated 1848-49 revolution and freedom fight, the Habsburg dynasty would hardly have been compelled to come to a compromise with Hungary in 1867. The same way, the fact that we had already withdrawn once from

the Warsaw Pact in 1956 now significantly increases our leeway. There is no need for another announcement of withdrawal: It is enough for our legislation to put on record that the government resolution 33 years ago was legal and that its retraction was illegal since it happened because of outside coercion. Of course, the legality of the 1956 announcement of withdrawal does not change the reality that, in fact, for 33 years we participated in the Warsaw Pact. Thus, the National Assembly can do two things. One possibility is to declare the validity of the Imre Nagy announcement with the added declaration that every post-1956 agreement in connection with the Warsaw Pact is invalid. This would be the same as another announcement of withdrawal. The other possibility is to keep stressing that our legislation adheres to the standpoint of the 1 November 1956 government resolution. In this case, from Hungary's point of view, the National Assembly would do more than just decide to withdraw from the Warsaw Pact; what it would say is not that we would withdraw from the Warsaw Pact but that we have not been members since 1956. However, from the point of view of the other member states, it would do less because, instead of making a unilateral resolution to withdraw, it would establish for the Republic of Hungary a position for negotiations.

The reason why our 1956 revolution, even by its defeat, increases the leeway of today's peaceful revolution is that it offers the possibility of the latter solution. But, for this, it is necessary that the new representative National Assembly clarify in one of its first resolutions, immediately following its first session, its position regarding the 1 November 1956 government announcement.

This is why the Free Democrats recommended that the National Assembly urgently discuss the relationship between the Republic of Hungary and the Warsaw Pact. This is why our draft resolution states in the first paragraph that "the revolutionary government acted legally and according to the will of the people rising in rebellion and in the interest of the nation when it gave notice of withdrawal from the Warsaw Pact on 1 November 1956." And this is why it is added in the second paragraph that "the National Assembly invites the government of the Republic of Hungary to begin talks, on the basis of the above, with the governments of states that participate in the Warsaw Pact, about the restoration of legal status."

Would We Undermine Gorbachev's Position?

Our proposal elicited a strong reaction from the spokesmen of the rival parties. It seems it will take some time to get used to the idea that settling their differences of opinion with the SZDSZ in an objective tone and avoiding mudslinging is more constructive. As far as I am concerned, I do not wish to adopt their tactics. Thus, I will ignore the behavior of our assailants and will address the essential issues of the debate directly.

We are being reproached for choosing a bad time for our suggestion. Allegedly, the Warsaw Pact will be abolished

sooner or later anyway, and at this moment we can only undermine Gorbachev's position who may be toppled by the Baltic crisis any day. But will the Warsaw Pact really be abolished by itself? And are we really undermining Gorbachev's position? Neither statement is plausible. The Warsaw Pact is disintegrating but steps must be taken to really dissolve it. What would we say to the rationale that it would have been better for the Nemeth administration to adhere to its standpoint of last summer and deport every East German refugee back to the GDR, for the two German states would soon be united anyway...

With regard to Gorbachev's position: Suppose the president/general-secretary would really want to have the Soviet power apparatus approve the secession of the Baltic republics, then why is it so evident that a lack of action on our part would support him? The adoption of the SZDSZ's draft resolution by the National Assembly would indeed increase pressure on the Soviet leadership but would not force Moscow to take steps. The top Soviet cadres and soldiers would have to face the fact that the disintegration of their empire is destroying both its external and internal organism at the same time. They would be forced to divide their attention between the Baltic states and Eastern Europe. But they still would not have to react immediately because the Hungarian National Assembly would not decide on a present and immediate withdrawal from the Warsaw Pact.

Transitional Status, Like That of the French

Just as the moderate Latvian and Estonian proclamations of their intention to gain independence did not undermine the position of the two republics but significantly improved the position of Lithuania which unequivocally proclaimed its independence, the resolution of the Hungarian National Assembly would not, in the short run, undermine the position of Hungary but could, even in the short run, improve the position of the three Baltic republics (and thus, indirectly of course, our position as well).

Our proposal was also challenged under the pretext that since pan-European security agreements are mostly made at the meetings of NATO and the Warsaw Pact, Hungary would lose bargaining positions by withdrawing from the Warsaw Pact. This argument is not really serious. According to the SZDSZ's proposal we could perhaps suspend our participation in the Warsaw Pact's military organization but would continue our activity in the Political Advisory Board until a consensus is reached among the member states recognizing that Hungary is not a Warsaw Pact member. This way we would have a transitional status akin to that of France when it withdrew in 1965 from NATO's military organization. Moreover, it is stated in the last clause of our proposal that the Republic of Hungary "will coordinate its efforts with the member states of the Warsaw Pact in helping to create a pan-European security system", even after our nonmember status has already been recognized. The future agreement on the complete cancellation of

our membership would, if needed, assure our position in the process of talks between the two blocks.

The argument that the withdrawal from the Warsaw Pact is a very complex action on which no urgent decision can be made does not stand either. First, if the National Assembly would endorse the SZDSZ's proposal, it would not pass a law on the withdrawal from the Warsaw Pact but would instruct the government in a resolution to begin with the talks and would establish the bargaining position of the Republic of Hungary. Second, the urgency of talks in a case does not mean that the National Assembly must by all means decide urgently. The point is simply that priority must be given to that particular case and it must urgently be put on the agenda. As many committees can be formed and as much time can be allotted as necessary for the clarification of possible problems. Let me add, however, that a relatively swift decision could be made precisely because we proposed the passing of a resolution that establishes certain political policies, not the passing of a law.

We Do What We Promised

One more thing in closing about the rebukes of Foreign Affairs Minister-Designate Geza Jeszenszky. According to Jeszenszky, while it calls itself a responsible opposition, the SZDSZ irresponsibly confronts the government with accomplished facts. Discussing our proposal with the MDF [Hungarian Democratic Forum] ahead of time would have been a responsible action. This is what was suggested, he says, by the spirit of the 19 April agreement between the MDF and the SZDSZ. Well, in my opinion, responsible opposition means that the opposition acts in a predictable manner and refrains from doing anything that jeopardizes the country's governability. And we acted predictably for we frankly stated already before the elections that we would present this proposal to the National Assembly immediately after its first session. We did not support the demand in which the MDF and the FIDESZ [Alliance of Young Democrats] were united, namely, that Soviet troops must leave within three months or by 16 June at the latest. For we knew that this would be impossible to represent after the elections. We will certainly do after the elections what we promised or the part of what we promised that can be implemented even by an opposition party. And our initiative is not jeopardizing the country's governability, including its external calm. At issue is a carefully considered step that does not require any countermeasures but may instead contribute to easing the pressure in this region.

Of course, better relations than these can exist between a responsible opposition and a responsible government party. A situation may arise in which the two parties inform one another of their more important actions ahead of time, and this is perhaps even desirable. But such information must be mutual. The 19 April agreement may be a good starting point, leading toward normal relations between the two parties, but it cannot be unilaterally binding on the oppositional SZDSZ. If the MDF wants working consultative relations, it should

contemplate whether it would be proper to provide us with information on the status of the talks on forming the government or on the main points of the government program draft. If the MDF considers this unacceptable or unnecessary, then it should not accuse the Free Democrats with irresponsibility because we did not consult the MDF before turning to the National Assembly.

Police Reorganization: Western Consultants, Financial Support

25000760A Budapest MAGYAR HIRLAP in Hungarian
5 Jul 90 p 3

[Article by (illegible): "Foreign Experts on Police Reorganization; Haste Could Cause Great Damage"]

[Text] The Hungarian police are being reorganized. The firm "TC Team Consult" assists in this regard; at present it is working on the reorganization of several European police organizations. The firm's president, Dr. Bernhard M. Prestel, and the personal representative of the Netherlands's interior minister: Utrecht police chief Jan Wiarda has been negotiating since yesterday with [Hungarian] national police chief Dr. Gyozo Szabo and other police leaders concerning details of the work and the starting time. The guests of the National Police Command were welcomed also by Interior Minister Dr. Balazs Horvath.

"How long will it take to transform the Hungarian police, and what kind of police would you like to see?" our reporter asked the foreign experts. They responded by saying that before recommending anything they would like to thoroughly familiarize themselves with the Hungarian police. Depending on negotiations, they are prepared to start work within a short period of time. The in-depth study requires at least a year. This long, because the police constitute a rather sensitive point in society, they said. A hasty decision in regard to changing the police could cause rather great damage. Despite this, it is possible that the change will not meet citizen expectations in every respect. Society must manifest patience in regard to the evolving police. The transformation process, which follows changes in society, cannot be accomplished in any country without [public] confidence. Accordingly, in the course of reorganization attention must be paid to the expectations of society from the police, and the amount of money society is willing to sacrifice for the maintenance of its police. All this will bear an influence on the time required to develop a democratic police force, one that is renewed in its foundations. This reconstruction work which needs to be accomplished not only within the police, provides an incredible opportunity for Hungary to integrate with Europe.

Asked about the cost of all this the experts said: Countries of the European Community also provide financial support for the transformation program. They established a foundation for this purpose, it also provides

assistance to reorganization in other fields of governmental work. The foundation may contribute for example to the fulfillment of the multiparty democracy and to the development of economic and commercial relations.

Parliamentary Committees on Broadcast Chiefs, Home Rule, Springer

25000760B Budapest MAGYAR HIRLAP in Hungarian
28 Jun 90 p 3

[Report on parliamentary committee proceedings by various reporters]

[Excerpt] [passage omitted]

Radio & TV Chiefs: Csaba Gombar and Elemer Hankiss

After a long period of uncertainty a decision was reached yesterday afternoon according to which beginning on 15 July Csaba Gombar will head the Hungarian Radio. The chairman's seat at the Hungarian Television will be occupied by Elemer Hankiss. The prime minister made recommendations concerning the persons of the new leaders of our national media. The recommended persons were supported by the parliamentary committee on the press, radio, and television after hearing the candidates.

Gombar told [the committee] that in the future, the radio will have to place an even greater emphasis on open, objective information which presents several aspects of the government's and the parties' endeavors but without bias. He felt that protecting the institution which is on the verge of financial bankruptcy against collapse and from privatization attempts is in the national interest.

According to Hankiss television must present economic and political processes from a nonpartisan standpoint. To ensure such presentation, they will be guided by the British Broadcasting Corporation's ethical ["moral"] code until such time that the law governing the media is completed.

Local Autonomy: Experts Skirmish

The committee on autonomous governing bodies began to dissect the legislative proposal concerning local autonomous governing bodies. Representatives heard from experts yesterday and silently watched as the proposal was torn into bits and pieces. Several persons argued why the proposal presumes to need counties. In addition, they raised the issue of what will happen to laws governing economic issues, which, according to several persons, have not appeared even conceptually on the horizon. The matter of whether this legislative proposal governing autonomous governmental bodies will truly result in autonomous governance or if it once again embodies hidden endeavors to centralize by virtue of

contradictory definitions for rights and duties was questioned. Interior State Secretary Imre Verebelyi who submitted the proposal, and, for example [Representative] Fabian Jozsa (Hungarian Democratic Forum—MDF), the newly elected vice chairman of the committee, defended the proposal. In any event, it became clear to representatives just how many differences of expert opinion could have emerged in the past.

Springer-Budapest, Limited Can Be Sued

Representative Miklos Haraszti [Alliance of Free Democrats—SZDSZ] raised the following question at yesterday afternoon's committee meeting examining the privatization processes of the printed and the electronic press: "What relationship is there between members of the committee and the action taken by a 'state secretary having jurisdiction' left unnamed by MAGYAR NEMZET, as a result of which transactions involving the sale of newspapers were suspended as of 20 June?"

[Representative] Istvan Csurka [MDF] regarded the question as an insult and instantly voted that the session be closed to the public. Members of the press were saved from being ejected by the fact that at its last session the committee voted to hold open hearings. Thereafter representatives argued whether they should hear the expert opinion of Hungarian Academy of Science Political Science and Jurisprudence Institute scientific adviser Imre Voros' view in addition to the draft committee report placed on the table in the hearing room. Members of the committee received both documents yesterday. The discussion transpired between Istvan Csurka and committee secretary Peter Molnar. [Csurka charged Molnar that] he was the one to request the well known jurist to present an expert opinion, that the request was made on the committee secretary's own authority, without requesting the committee's approval. The MDF representative regarded the secretary's "partisan" action as an offense subject to disciplinary action. In the end, after a 15 minute recess, and after reading both materials it turned out that the proposed committee report and the expert opinion contradicted each other.

According to the draft report there is no guarantee in a legal sense even today that incidents similar to the Springer affair would not occur, incidents which cannot be challenged from a legal standpoint. The expert opinion holds that at issue are opportunities for legal [challenge] that "were negligently passed up," and that the Hungarian Socialist Party [MSZP] and the newspaper publishers could still sue Axel Springer-Budapest Limited Liability Corporation [Kft].

Parliamentary Committee Issues Findings Concerning Press

MSZP Baffles Legislators

25000760C Budapest MAGYAR HIRLAP in Hungarian
29 Jun 90 p 3

[Article by -Iovas-: "MSZP [Hungarian Socialist Party] Takes Another Step: Retreat, Fair Play, or Propaganda?"]

[Text] During the past several weeks we may have become used to the fact that some event may be expected

whenever cultural or press affairs are involved in the workings of any parliamentary committee. The subcommittee on press affairs held a meeting yesterday. It almost produced disappointment: During the first part of the meeting members were about to fall asleep. Then information exploded: The Hungarian Socialist Party [MSZP] will back out of the promise it made a few days ago, it will take action in regard to the privatization of county newspapers. The person who exploded the bomb was [Representative] Denes Csegey (Hungarian Democratic Forum—MDF), and the one who did most of the work to defuse it was [Representative] Miklos Haraszti (Alliance of Free Democrats—SZDSZ).

Shortly before noon, after spilling many words on procedure, Denes Csegey picked up a document: "The committee on culture received a letter from the MSZP today, according to which it will lift ["surrender"] the prohibition on privatizing county newspapers." "Stunning," the dozen representatives murmured. Then they read the document that follows this article.

Csegey spoke: This is a change of intent, and on top the MSZP is referring buyers to the county newspaper. The letter was created Wednesday night, even though the MSZP presidium was not in session. Representative Prepeliczay (Independent Smallholders Party—FKgP): We must react to this! Because previously the MSZP put a halo over its head when it returned the newspapers to the nation, so they said. Representative Csurka (MDF) did not speak because he was not present. Nor did the MSZP representative comment because he was not present either.... Thereafter Representative Haraszti rerouted the passions to run within more staid channels. They were just about to glow. He felt that the MSZP may have as its goal to prevent the uncontrollable transfer of county newspapers. Or, it may wish to prevent the privatization of those newspapers, the way privatization is guided by government. And this would not contradict the MSZP's earlier promise, and therefore the statement should not be rejected. Representative Csegey instantly countered: The MSZP has already surrendered ownership rights to county newspapers, and if it did, it has no right to make a decision like this one at this point. By now the MSZP has no authority to privatize. Who does, Haraszti asked. According to the MDF position local newspapers should be placed in the hands of local autonomous governing bodies after the elections. The government could assign future owners for this purpose, according to Csegey. Haraszti: The MSZP offered full openness, and all the money to be collected. The earlier MSZP announcement was only a statement of intent, the MSZP has not yet surrendered ownership as a result of a legal act.

The other SZDSZ representative interrupted the conversation: Zoltan Bretter did not see a contradiction between the earlier offer made by the MSZP and the present actual fulfillment. Dr. Prepeliczay viewed the socialists' new move more like a propaganda trick. Again

Csegey: He maintained his argument. So did Haraszti. Representative Kanvassy (FKgP) suggested a new viewpoint: A thief cannot acquire ownership rights by force. He was hinting at the expropriation of local newspapers by the [Communist] Party many years ago. The FKgP was the former owner of the Bekes County newspaper (!)—Kanvassy let it be known. Representative Zsigmondi (MDF) joined Dr. Prepeliczay's evaluation according to which this was a "propaganda maneuver." In conclusion, Bretter once again spoke to the merits: Accordingly, the value of the newspapers transferred to Springer amounts to about 300 million forints. Haraszti: The government should not regulate newspapers, but it should regulate the money which flows in the budget as a result of privatization. This is what took place at the committee meeting.

There was debate, but the committee adopted no position. The meeting will continue in a week. The newspapers will be auctioned, a la MSZP, between 1 August and 1 September. Four weeks hence, that is. If there will be an auction [at all]....

Text of MSZP Document

25000760C Budapest MAGYAR HIRLAP in Hungarian
29 Jun 90 p 3

[Text]

Notice

At its 27 June 1990 meeting the National Presidium of the Hungarian Socialist Party reviewed the situation concerning privatization of county newspapers and issued the following notice.

1. The Socialist Party lifts the prohibition in conjunction with the privatization of county newspapers. Intentions to purchase must be announced to the publishing offices of county newspapers. These same publishing offices should provide information to future buyers concerning the financial situation of the newspapers, the composition of the [work] collective, the condition of facilities, and of any other fact needed to prepare for consummating an agreement.

2. The Socialist Party faction of representatives requests the committee on the press [composed] of parties seated in parliament to appoint experts if they feel that is necessary. Such experts may control the purity of the sale and may observe compliance with the following:

- The ratio of foreign capital relative to individual newspapers must not exceed 49 percent.
- An individual foreign or domestic buyer must not be a partial owner with respect to more than three newspapers.
- Workers at newspaper publishing and editorial offices should be able to acquire at least a 10 percent share of ownership.

—No contracts shall be consummated against the will of a majority of the workers.

3. The Socialist Party must not retain an ownership share in the county newspapers involved, and these newspapers must not be sold to parties either as a whole or in part.

4. The entire newspaper sales process must be pursued with the greatest possible publicity in the press. Those regularly informed should include also the press trade union functioning at the publishers, and where a workers council or association has been formed already, also the representatives of these organizations.

5. The county newspapers must be sold after 1 August 1990 and if possible prior to 1 September. The purchase price to be received by the Socialist Party for the intangible value (about 500 million forints, according to our calculations) must be offered for the public good, and must be transferred within eight days to a receiver to be designated by the Council of Ministers.

5. The Socialist Party shall record the movable property that exist at newspaper publishers, the inventories, and accounting for current as well as incomplete investments, the amount of reserve and operating funds, as well as cash and current accounts, the fate of bank and other credits, and the volume of bills not paid to shippers.

[Signed] Hungarian Socialist Party National Presidium
(Gyula Horn)

Committee Report on Press

25000760C Budapest MAGYAR HIRLAP in Hungarian
6 Jul 90 pp 1, 5

[Unattributed article: "Privatization Has Become a Vital Issue"]

[Text] A National Assembly resolution mandates that the committee examining the privatization processes of the printed and electronic press submit a report to the plenary session of parliament concerning the general conditions of the press and in regard to privatization processes that have taken place or are in progress. The following report contains a few of the more important findings.

(It should be stated in advance that all these findings may evoke sharp debate in parliament, in the press and by the public, and that certain statements must be made more precise in terms of factual content.)

MAGYAR HIRLAP Information

The signs of an extremely severe legal, political, economic, technical, professional, and ethical crisis may be discovered in regard to the Hungarian press. The economic crisis results from the fact that market conditions breaking into the press are confronted with a structure totally unsuited for the functioning of the market; they

are faced with obsolete, outdated technology, and mostly with equally unsuited and unprepared people.

The essence of the legal crisis is that the legal training established for the management and operation of these mouth pieces of the party state—the press law of 1986 ["1996"] (since then modified in part) and the various applicable council of ministers and ministerial decrees and orders—are totally unsuitable for regulation under market conditions. Law has fallen far behind real life, an actual *ex lex* situation evolved.

In this chaos the may occur phenomena in which owners of newspapers who possessed proprietary rights, but never fulfilled or provided for the functions and expenditures incumbent upon owners are deprived from their "property" by not receiving a penny for that property (Hungarian Women's Association—HUNGARIAN WOMEN'S JOURNAL), or in which such owners outright surrender [their proprietary rights] in favor of [their respective] editorial offices (Patriotic People's Front—MAGYAR NEMZET). But it equally happens that organizations which founded newspapers but never performed the related functions collect 33 million forints, in contrast to the previous scenario (the same Patriotic People's Front—SZABAD FOLD). This confused legal situation suggests caution and reluctance to foreign capital. Numerous negotiations were interrupted because of this or got stuck at the stage of statements of intent. On the other hand, the confused legal situation enabled uncontrollable, quick business transactions (MAGYAR HIRLAP, SZABAD FOLD), and newspaper acquisitions that were not clarified (Axel Springer—Budapest Limited Liability Corporation [Kft]), according to the report.

The essential reason for the professional, political, and ethical crisis that may be seen in the Hungarian press is the same as the above described economic and legal crisis: The falling apart of the old party press. In the new political environment political and moral identity disturbances and imbalances of a smaller or greater degree, uncertainties and possible fear experienced by publishers and edit previously active one way or another in serving the party press are self-explanatory phenomena. Equally, it is entirely natural that a significant part of people who faced primarily by political requirements during the past decades, and professional concerns only as a secondary or tertiary matter, do not appear at all suitable, or suitable only to a small extent to respond to new requirements under conditions of a free press and a market economy, (in due regard to the good number of exceptions).

Western newspaper capital, above all the three giant firms of Maxwell, Murdoch, and Springer, all with their professionalism appeared under such chaotic conditions, but in addition to these, other capital also expressed interest. Privatization, and with that, foreign capital investment is necessary for the above-described economic and other reasons. One could say without exaggeration: These are vital issues from the standpoint of

the Hungarian press. This privatization process has already begun to a large extent but the confusing situation contains huge threats. The basic conditions for orderly privatization which serve the country's interests, and of course also the long term interests of the Hungarian press, are missing. There are no suitable legal provisions, there exists no well thought through privatization concept or concepts: In the course of founding and selling newspapers we find the greatest variety of partial interests, and momentary existential, political, and other interests and fears at work. Thus the newspapers are sold or simply "taken away" under not appropriately clarified financial conditions, on occasion for prices suspected to be below their worth (HUNGARIAN WOMEN'S JOURNAL, /UJ/ LUDAS, Springer).

Unregulated transactions taking place under such circumstances invite the threat that one political press monopoly will be replaced by economic (and perhaps political) press monopolies. Viewing the momentary static situation from this standpoint, the Springer phenomenon may appear to raise most concern, but if matters are viewed in their process, in their dynamics one must recognize that foreign capital participation which at the moment appears as proportionate and limited, guarantees nothing in the long term. Namely, further large scale capital investment that will necessarily follow will unavoidably upset the capital ratios that evolved at the time of founding. This is so, because only the foreign partners will be capable of making such capital investments, and Hungarian publishers and editorial offices will not. The clear proof of this is the fact that all foreign capital endeavors sole [ownership], it will not associate with another foreign partner within the same newspaper, i.e. it endeavors to achieve monopoly in the long term.

The committee report states that wherever ownership changes took place at national or county newspapers, the leading editors appointed by the old party state leadership were not relieved of their duties. This clearly shows the common feature of newspaper sales and privatization processes accomplished in various ways: beside the fact that economic and developmental interests are also enforced, and that the aim is for modernizing the newspapers and their editorial offices, this kind of transformation is in the interest of the [editorial and publishing] leadership stratum which became uncertain in the new political situation. The only difference is in the type of capital toward which the various editorial offices orientate themselves and through which capital such offices envision to secure their continued leadership role. In the capital city these are Maxwell and Murdoch. In the countryside it is Springer.

According to the committee the enactment and the enforcement of a new press and media law is needed as soon as possible. Since it is most certain that this will not take place for months, there is a definite need for the transitional regulation and control of privatization.

The committee believes that the legislature is not, but the executive power is suited to play this role, and recommends to the National Assembly to entrust the government to provide coordination for, and control over privatization for the above mentioned transitional period, including the exercise of oversight "offered" by the MSZP to parliament in regard to the county newspapers. The government should weigh [the possibility of] suspending [in their positions] the presidents of newspaper publishing enterprises, thus preventing occurrences of situations similar to those which presented themselves already.

State Property Agency in Turmoil

Legislative, Executive Struggle

90CH0275A Budapest MAGYAR NEMZET
in Hungarian 31 May 90 p 4

[Article by (langmar): "Parliament or Government; To Whom Should the Property Agency Belong?"]

[Text] The "spontaneous privatization" process interspersed with scandals of varying magnitude has more or less been brought under control, or at least confined to regulated forms by the establishment in early March of the [State] Property Agency. The new institution was placed under the control of parliament which also appointed its managing director. The new government, however, as we recently learned, is planning to bring the Agency under its own control. Hence, among other things, the government would assume the right of appointing the Property Agency's manager and board of directors. We have asked Bertalan Diczhazi, adviser to the economic secretariat of the Council of Ministers Bureau, what necessitated this change, which, according to the plans, will be taken up by the Council of Ministers this week.

"The reason the status of the Property Agency needs to be changed is so that we can continue the process of privatization in accordance with the government's economic and industrial policy goals," he explained. "If the government has no means or authority to affect this process, if control over the property reform is under the influence of a nongovernmental agency, then the government cannot live up to its obligations to society. Privatization must always be looked at within the context of its economic and sociopolitical relationships. It is partially on the basis of these relationships that we need to compile a list of enterprises to be turned over into private hands, including those that may be sold to foreigners. Hence it does not make any sense for the Property Agency to belong to parliament. This, incidentally, was also the opinion of the Blue Ribbon Commission," he said.

"At present, the authority of the Property Agency does not extend to locally founded enterprises, even though this is the level where most of the steps toward "spontaneous privatization" have been taken. According to the

plans, these too would now be placed under the control of the Property Agency. The scope of the Property Agency's authority would be further expanded by allowing it henceforth to also sell the enterprises that have been placed under state administrative control. Presently, the only purpose for which it can take away state property is to convert it into a private corporation," Diczhazi explained.

"Parliament would continue to be responsible for passing resolutions concerning property policy guidelines," said the adviser in response to a question regarding long-term considerations, "hence its basic control functions would remain intact. All considerations and priorities laid down in those guidelines would have to be taken into account by the government in implementing its policies."

Some experts warn that as they become phased out the enterprise councils will become the responsibility of the Property Agency which it will find to be too complex of a task to manage. According to Bertalan Diczhazi, however, in those enterprises which the state does not plan to place under private ownership, enterprise self-management will be retained. So it was not true, he insisted, that all enterprise self-governments would be eliminated at once. The government will have the legal and statutory authority to bring any state enterprise under state control at any time, but will only take advantage of this possibility if it has specific plans for the organization in question. All other enterprises will—under the control of the Property Agency—continue to be open to enterprise-initiated privatization. Important considerations warranting privatization include the need to effect changes in ownership and to promote the organizational decentralization of the economy. As the adviser explained, this concept would include privatization packages involving the sale of six to eight well-functioning, reliable and from the point of view of the small investor neatly organized firms by inviting private investors and private persons, which could not be done before, to purchase stocks sold openly to the public. This also aims to increase public trust toward privatization.

One of the key figures in the debates concerning privatization has been Lajos Bokros, managing director of the Hungarian National Bank, who today is also an MSZP [Hungarian Socialist Party] deputy. We have asked him, too, what he thought about the proposed step. "The Property reform is much too important an issue to be subordinated to a short-term economic policy," he said. In his opinion, the property law, which according to a parliamentary resolution already in effect is due to be drafted by the Fall, should be a constitutional provision (along with the land law) which would provide a firm foundation for a market economy.

"If the Property Agency is removed from under parliamentary control," argued Lajos Bokros, "there will be a real danger that governments in general, but the one currently in power especially, will be responding to short-term pressures in managing the property reform."

The previous government had also gotten itself pretty deeply into trouble as it proceeded to sell off state property often without setting a proper price, inviting bids, clarifying legal details or caring about our long-term hard currency balance." As an ominous possibility, Lajos Bokros also raised the prospect that pressed by budgetary problems, the new government may be tempted to sell off the large banks, without taking long-term considerations into account.

Given the state of the Hungarian economy, however, we cannot afford to experiment; yet if the government were to gain control over the Property Agency, this could easily happen. Perhaps another government will come along with its own property philosophy that will require another round of drastic changes in the property structure put in place before it. Such changes back and forth would only hurt the economy. We cannot afford to take such a chance, hence we must keep the Property Agency under parliamentary control, insisted the managing director of the MNB [Hungarian National Bank]. Also to be left up to the National Assembly is the election of a still to be established management council, which, according to the original plans, should be a kind of corporate body that would serve as an additional guarantee to ensure that the new system to emerge from the property reform is a stable one that can withstand criticism even after the fact.

Agency Chairman Responds

90CH0275B Budapest MAGYAR NEMZET
in Hungarian 2 Jun 90 p 4

[Article by (f.l.): "This Is Not Privatization Yet, Only the Removal of State Control; Should the Property Agency Belong to Both Here and There?"]

[Text] The status of the Property Agency was one of several issues addressed at yesterday's press conference by Istvan Tompe, whom parliament had recently elected to serve as the Agency's managing director, after Wednesday's issue of MAGYAR NEMZET had revealed the government's plans to bring the Agency under its own control. As Tompe explained, early last year someone had recommended to have parliament appoint the leaders of the Property Agency, but to place the organization itself under the control of the government. On the basis of the experiences of the Property Agency's two-to-three-month-long existence, Tompe felt that replacing parliamentary oversight with government control may be a better solution.

Being distant from the government might lead to catastrophic consequences, he asserted. Not being a part of the government's normal channel of information, the Agency has been denied access to some vital basic information. Yet privatization requires constant consultation and coordination with the various government agencies as it cannot be undertaken without regards, for example, to employment policy and competition.

A good example of just how important and necessary it is to work closely with the government is the case of Obuda Island. The bids received for the utilization of this island, which is ideally suited for tourist industry purposes, have ranged from 300 million to 600 million dollars. There has even been talk about relocating the shipyard, perhaps at a reduced capacity. Istvan Tompe has told us that he would consult with the government to see whether or not there was anything to bar the island from being used for tourist travel or industrial purposes. It is also unclear whose decision it is to decide what to do with this area: Is it to be considered the property of the shipyard, or given its extremely favorable investment potentials, is it a separate property of the state? For what is also at issue here is who should reap the benefit of collecting the 12-13 percent real estate value—or 50 to 100 million dollars—included in the above offers, Adam Angyal or the state?

In the case of the Property Agency, however, according to Istvan Tompe, there is also a need for parliamentary controls, which may take various different forms. One would be the already mentioned possibility of having parliament elect the management council which in turn would serve as a quasi parliamentary committee. It is conceivable, as the Western experiences have shown, to have a separate parliamentary committee deal with privatization. However, when it comes to big privatization packages, such as those affecting telecommunications, MAV [Hungarian State Railroads], the Electric Works and other large infrastructural networks, said Tompe, they should also be examined directly by parliament.

Privatization cannot be carried out flawlessly. For one thing, we lack the necessary experience to do so, and it is expected to stir up many conflicts. Without a background of trust it could never succeed, which is why the managing director has made it clear in his letter to Jozsef Antall that he is ready to quit his post should the MDF [Hungarian Democratic Forum] so request. This, he pointed out to him, was of course contrary to the intent of the proposal to put the Property Agency with its parliament elected management council directly under the control of the government. For under such an arrangement one of its most important roles would be to ensure continuity during periods of rapidly changing governments, even by standing up to the government in power if it had to. But as Istvan Tompe pointed out, this issue could hardly be resolved without contradictions. But if we had a properly functioning parliament, and the Property Agency had access to needed information, then there would be no reason to push for bringing it under government control.

This kind of privatization however, Tompe warned, was not yet the real thing; it was aimed merely at the removal of state controls. Without the "private" person, the citizen, there can be no privatization. It would be terrible, of course, if the removal of state control did not take place concurrently with the rise of a strong middle class, he said. Another big question is what to do with the

moneys taken in from privatization. There is a great danger that they might be used to improve the budget balance. In order to prevent this it is essential that we stop trying to bail out every enterprise that is in trouble, and at the same time search for solutions to restructure our state debts.

The managing director also mentioned a few specific cases. He felt, for example, that Ikarus' situation could be resolved outside of the arena of bankruptcy proceedings. It would require looking into whether or not its loans could be rescheduled, and exploring the possibility of a structural reorganization that would allow it to remain a noteworthy enterprise.

In connection with IBUSZ [Touring, Money Changing, Traveling and Shipping Company Limited], he called attention to a phenomenon that has been causing problems for others as well; namely to the fact that certain stocks were being sold at prices far higher than their face value, in this case at a 490 percent markup. He warned that this may create a lack of trust among the public which is still inexperienced in market-related matters. He also stressed that investors who bought small quantities of stocks were not necessarily poor investors. They are called small investors simply because their stocks are of limited voting value. In order to protect them, the maximum voting value a single large investor can control has been set at five percent.

Academy of Sciences' New Chairman Interviewed

90CH0256B Budapest MAGYAR NEMZET
in Hungarian 30 May 90 p 6

[Interview with Domokos Kosary, new chairman of the Academy of Sciences, by D. Istvan Denes; place and date not given: "One Should Not Be Offended by World History; Domokos Kosary on the Revival of the Academy"]

[Text] Domokos Kosary, professor of history, was elected the new president of the Hungarian Academy of Sciences at its 150th general meeting last weekend. The favorable odds of his victory proved to be true, for even earlier when the names of potential candidates came up, most people thought the outcome of the election was certain because under the present political circumstances no one was more authentic than Kosary.

[Denes] Professor, the general meeting was important, not only because of the even-numbered anniversary but also because representatives of Hungarian science came together in a period of political change to decide what kind of an Academy they would like in the years to come....

Freedom of Research

[Kosary] From the viewpoint of the Academy, the change of system is significant primarily because the freedom of scientific research and the separation from the office have finally arrived, and the situation in which

the state power apparatus constantly interfered with Academy business has come to an end. The role of the office within the apparatus of the Academy will be not to transmit the wishes coming from the establishment but to serve scientific research.

[Denes] During the past months, the future of the Academy's network of institutions was debated rather intensely in Academy circles. Many people would have liked to see the research institutes breaking away from the HAS but others thought that this would bring about a scientific collapse, claiming that it would eliminate even the scant research opportunities that exist today.

[Kosary] The institutional research network represents great values, both in fostering domestic research and in the area of maintaining international relations. Starting with the same principle, which I mentioned a moment ago in connection with the relations between the office and the Academy, I am of the opinion that the institutions must have more professional independence, but this cannot mean, of course, that we will now place them under the supervision of another bureaucratic apparatus. Even before, the Academy managed these institutes with a fair amount of flexibility and expertise. It is another question that the system of management can be improved, developed and reformed, but the idea that has come up, namely, that a Ministry of Research should be established with the task of directing the institutes, is completely inconceivable and senseless. What would be the need for a mammoth institution to replace the Academy's small management? Why would we build a new and an even more immense bureaucracy?

[Denes] Obviously, many people are thinking of certain examples abroad.

[Kosary] Unfortunately, it is a good Hungarian custom to find a bad example and then to imitate it right away. This is the way it was in the 1950's but I hope we will succeed in avoiding this now. What counts is not what happened in which country and what model they employ but rather what suits us best! I say it again: Under no circumstance should we abolish the network of institutions and let the experts go, for this would be tantamount to suicide.

Body of Self-Government

[Denes] Do you think the mere fact of political change is a guarantee for making the Academy independent and for freeing scientific research?

[Kosary] The situation at the moment is that the prime minister gave us his firm assurance to this effect. He stated that the government has no intention of interfering with the activity of the Academy and the freedom of scientific research. I perceive the feeling of the political leadership that the Academy should develop its own independent structure and scientific strategy as soon as possible. For this purpose, we would like to draft, for the special general meeting in the fall, some reform proposals that would be definitive for the future. All this is

useful, of course, but our success in writing and passing the new Academy law will be the real guarantee. We have already been working on it for a long time, it has several versions, all of which are unified in recognizing the Academy as an independent body of self-government.

[Denes] It has been brought up repeatedly that the Academy should develop new forms of organization that would adapt to its needs. This is a familiar concept, for much has been said about it in earlier years—of course, with different connotations. True, mostly on the level of theoretical resolutions and generalities.

[Kosary] There is nothing strange in the fact that this opinion is often heard nowadays, in this transitory period, and not only at the Academy but also at other institutions and organizations. In our case, the point is that there are concrete issues that must be dealt with. I mentioned earlier the network of research institutes, but close cooperation with the universities is also a related issue. We believe in university autonomy, we believe in improving the quality of research activity in higher education, and we believe in finally making the universities open to youth because I think it is a tragedy to keep tens of thousands away from higher education under various pretexts. Namely, we rank low on the European list... An increased enrollment will mean a lot of work for the universities and they must get assistance in teaching, from the Academy, too. One of the necessary reforms is that the Academy's apparatus was divided in 1970 into two sections. There is a so-called council apparatus that includes professional people, and there is an administrative or office organization in which the former has very little say. This division must be abolished, and the academicians must not be looked on as small children who need a lot of care... Unity must be restored; I am thinking of a unified organization of the Academy where the secretary-general is also elected by the general membership instead of being appointed by the government.

[Denes] Will it be possible to arrive at a consensus with regard to these concepts? I ask this because there were expressly political and personal attacks, some of them explicit while others a little more elegant and nicely packaged, against certain academicians at the general meeting.

There Should Be No Witch Hunt

[Kosary] Two things must be differentiated from one another. One is, what kind of reforms are needed and, regarding these, what agreement there is. My answer to this is that we will develop, with the help of the various committees, a minimum program which we want to realize in the years to come, to be presented at the general meeting due in the fall. In this respect, then, I feel that there is a kind of consensus. But no one can yet tell the details of how all this will be implemented. To have a clear picture, we will begin with a swift and decisive study of the situation with the help of the committees. The other issue is that of personnel. I want to skip personal remarks, including the subjective attacks

against me, because there are more important things than that. It has become a custom nowadays in Hungary to always talk about who did what in 1950, in 1960, or ten years later. My standpoint—which, incidentally, I clarified with the Hungarian Democratic Forum and the Alliance of Free Democrats before I was elected—can be described as follows: I do not agree with any kind of witch hunt. Any foul administrative method will smear those who use it! This is what was done in the early 1950's and then during the 1957 counterrevolution [as published]. I find the game of exclusion despicable and stupid, for it deprives many a talented person of taking the right direction and of engaging in work that is useful to society. Well, all this is one of those fundamental principles I stated, and as long as I will be heading the Academy, I will do everything I can to see to it that no one will be in a disadvantage merely because of a political conviction or a "past record".

[Denes] There are many new members among the academicians. It has been decades since the last revival of this kind.

[Kosary] This can be explained, on the one hand, by natural turnover. On the other hand, we have changed the maximum age of an academician on the membership list from 75 to 70, and this made it possible to admit new members. Including some who should have had this honor a long time ago.

[Denes] After the hardships of the past decades, do you feel personally appeased now that you have become the head of the Academy?

[Kosary] I was not looking for this position but people convinced me that accepting it would be the proper thing to do... And since I do not like to run away—I never liked to run away—I consider this office as a kind of one last service, despite the fact that this job was not made expressly for 77-year-old people. Although it is fashionable in many places of the world nowadays to exhibit renewed vintage cars, it is not customary to enter these vehicles in Form-1 races. Yet, the Academy represents the leading field of science! Appeasement? Well, it was an honor at any rate to meet with so much kindness and respect and this, to be frank, interests me more than the recalcitrance of a few people. I look at the situation emotionally. I was not offended in 1948 when my nomination was hindered by party men aspiring to power. I did not collapse when I was dismissed from here and from there because I considered, and consider, all this a natural phenomenon such as a flood or an earthquake or the fact that there are Hitlers and Stalins among us. These are unpleasant natural disasters and one must hold one's ground; one should not be offended by world history.

POLAND

**Deputy Minister of Defense Onyszkiewicz
Interviewed***90EP0663A Budapest NEPSZABADSAG in Hungarian
22 May 90 p 6*

[Interview with Deputy Minister of Defense Janusz Onyszkiewicz by Miklos Ritecz; place and date not given: "Now the Soviet Presence Is Really Temporary"]

[Text] An interesting piece of news broke the other day creating quite a stir: Civilian politicians have been named as deputy ministers of defense in Poland. One of the two was Janusz Onyszkiewicz, a former spokesman of Solidarity, whose chief responsibility will be dealing with foreign policy issues that concern the Ministry. According to his own account, so far he has managed to avoid the military, but as fate would have it, the 53-year-old mathematician, and recently one of the country's top-ranking politicians, has been assigned to work with men in uniform. It was in his new office in the building of the Ministry of Defense that he received our Warsaw correspondent.

[Ritecz] Mr. Onyszkiewicz, your appointment appears to be another step in the process of establishing Solidarity control over certain key ministries, i.e., those of the interior and national defense, which heretofore had been held by the old generals. Is it conceivable that in the future we will see more civilians assigned here?

[Onyszkiewicz] Although the presence of civilians in the defense ministry is indeed inconsistent with the traditions of Polish politics, in the political life of the democratic countries this is a completely natural phenomenon. The changes we have undertaken in this area are aimed at bringing the army under closer state and social control. Until recently, the Polish military had been built on strict ideological foundations, serving as the army of the Communist Party. Without bringing in people from the outside, the notion of increasing social control would be a bit odious. Moreover, the people would not believe that there are real changes taking place in defense. It is well known that while formally the military was a state institution, it was under the total control of the Communist Party. For all practical purposes there were no high ranking officers who did not belong to the party. Even the satellite parties, the Peasant Party and the Democratic Party, were denied any say in the affairs of the Ministry. The PZPR [Polish United Workers Party] was in sole control.

[Ritecz] Could it be that Solidarity now wants to take the Communists' place in controlling national defense?

[Onyszkiewicz] Not at all. We simply want to make the military more open to social scrutiny. What we want is a nonpolitical military. The ideological principles we hope will guide the army are patriotism, loyalty to the state and to the government elected by the people, in other

words, a commitment to serving the nation. As a fundamental principle, officers in the future will be forbidden from joining any political organizations or parties. In order to ensure that these principles are observed, we need to have new people—civilians—in the appropriate positions. Solidarity does not have any colonels or generals to put in charge of the Ministry. It only has civilian politicians. More so than any of the other branches, the Ministry of Defense has been an enigma to Solidarity, for we have known absolutely nothing about its inner workings. Even from the operating mechanism of the Ministry of Interior we have been able to get at least a little taste recently, although for the most part this "familiarization" was rather unpleasant and one-sided.

[Ritecz] Once you civilian politicians have become more familiar with the way the Defense Ministry operates, is it possible that in the near future you might also take control of the ministerial post?

[Onyszkiewicz] I believe that sooner or later there will be some changes, in view of the fact that our minister, Mr. Siwicki, who is already over 65, has himself asked the head of state to decide about his future. By this I do not intend to suggest that he will immediately have to leave, or even that a civilian will necessarily take his place. I am convinced, however, that, within the foreseeable future, Poland, following the example of the above-mentioned democratic states, will have a Defense Ministry headed by civilians. I would add, however, that this does not necessarily imply that the army will also be commanded by civilians.

[Ritecz] In their recent comments, responsible Polish politicians and party leaders have come out in favor of maintaining a strong Polish army. Hearing this one cannot help but think about the challenges presented by the prospect of a unified Germany. Warsaw has been similarly careful in its approach to the issue of Soviet troop withdrawals...

[Onyszkiewicz] Having two powerful neighbors in itself is not a compelling reason for us to maintain a strong military. The fact, however, is that both neighboring powers are undergoing profound changes. The German transformation, in my opinion, cannot lead to any kind of destabilization. Unfortunately, it appears less and less likely that the Soviet changes will take place smoothly. This uncertainty in our eastern neighbor, in turn, makes it impossible to cut the strength of the Polish military. Signs of instability are never favorable conditions for disarmament. In spite of this, should an agreement be worked out at the Vienna conference, Poland is ready to scale back the size of its forces.

The number of Soviet soldiers stationed in Poland is relatively small, amounting to only about 55,000 men, or two divisions. If I remember correctly, in Hungary there were three, and in Czechoslovakia five divisions stationed. For the most part, the mission of the units positioned in our country is to provide logistics for the Soviet troops stationed in Germany. They will more than

likely remain in Poland, as long as there are sizable Soviet forces kept in Germany, for they are needed to ensure a secure rear and reliable supply routes. Perhaps we will know more about this following the two-plus-four negotiations. To me it is clear that the presence of Soviet troops in an already unified Germany will also not be lasting. In other words, when we say temporary Soviet presence, we really mean temporary, perhaps lasting another five to seven years—not the way it was interpreted in 1956, when temporary meant unlimited stay.

[Ritecz] Warsaw has already begun negotiations with Moscow about troop reductions.

[Onyszkiewicz] That is correct; however, our proposals pertain mostly to fighting ground units. In terms of numbers, they involve about 5,000 men. The troops to be withdrawn will be mostly landing assault and airborne units.

[Ritecz] We are hearing more and more about the unified Germany becoming a member of NATO. How do you feel about having NATO units stationed perhaps directly on the Polish border?

[Onyszkiewicz] We would definitely oppose any attempt to push the present dividing line between NATO and the Warsaw Pact further to the east of the Elba, and to try to reestablish it along the Oder-Neisse line. This would not be acceptable to us, even if both blocs were to undergo drastic changes in the future. This is why, for the moment, we support the Soviet military presence. Once the Soviets leave, I would not rule out the possibility, on a temporary basis, of setting up joint German-Polish units to be stationed in what is today the GDR. Creating such a joint force would yield dual benefits, which are being more and more seriously considered in the FRG. On the one hand, it would dispel various fears, and on the other, it would help to build a bridge between the German and Polish peoples. All of this, of course, is only speculation.

[Ritecz] During his visit to Warsaw, the West German head of state Weizsacker clearly stated: Poland's borders are inviolable. What other guarantees do you expect from the German side? Will you be able to negotiate some kind of an agreement with the two German states before the unification becomes formal?

[Onyszkiewicz] The president's statement was indeed encouraging, but not enough. What we expect is a declaration of intent signed by representatives of the Germany of the future, recognizing the Polish borders as they are today. After all, the Germany of the future will not be populated by people from the moon, but by today's citizens of the GDR, FRG and West Berlin. The declarations issued by the two German parliaments already represent a step forward. As the next necessary step, the two governments will have to take a responsible stand, guaranteeing the security of the existing borders. This stand would have to be expressed in the form of a detailed border agreement signed by the governments affected, and to be ratified by the unified Germany.

[Ritecz] You have mentioned the changing role of military blocs. What will happen to the Warsaw Pact?

[Onyszkiewicz] I think that it will evolve into a broader organization, one that will be different in philosophy from the present alliance. In the past, the enemy concept was the determining basis of the Warsaw Pact's existence. By enemy, they meant the West. In the future, this will no longer be the case. Not only in name, but also in reality, it will become a defensive alliance, a regional security pact. It will be a political and consultative organization in nature, which in a certain sense will be cooperating with NATO.

OKP Leader on Internal Activities of Club, Sejm
90EP0700A Warsaw PRZEGLAD TYGODNIOWY
in Polish No 25, 24 Jun 90 pp 1, 6

[Interview with Dr. Pawel Laczkowski, Sejm deputy and deputy chairman, Citizens Parliamentary Club, by Włodzimierz Krzyzanowski; place and date not given: "The Party of Responsibility"]

[Text] [Krzyzanowski] For some time now, it has been clear that the OKP [Citizens Parliamentary Club] is torn by internal contradictions. Some even expect the prompt disintegration of the club. What can you say about this?

[Laczkowski] The OKP has never been politically homogenous just as Solidarity was not and is not. Conditions for nominating candidate senators and deputies, and support in the form of citizens committees, were factors which eliminated the need for political self-determination.

We ran in elections to the Sejm and the Senate as opposition, and we were united by a joint program of what we did not want in Poland. Nobody expected that this very parliament would have the task of changing the [political] system. However, since the fortunate acceleration has occurred, new questions have come up regarding how the Polish house is to be arranged. We face the need to make very specific choices as to our future path virtually every day, and this is when differences become clear. The differences are most pronounced in conjunction with the privatization law and the writing of a new constitution. I think that within the club we have representatives of the entire political spectrum, from the left to the right. However, I am convinced that the mode of conducting a normal political discussion, or maybe even the lack thereof, rather than political differences, threatens the OKP.

[Krzyzanowski] You admit that it has come to conflicts among individual members of the club. What is the essence of these disputes?

[Laczkowski] I would not refer to this as conflicts. However, it does come to differences of opinion, but this is, perhaps, natural. Yet, personally I would prefer genuine political convictions to be manifested more in all disputes. If one of my colleagues holds against me my

signing a particular declaration or joining a particular group, I believe that he should not refer to his authority as a veteran but admit that, for example, my actions irritate him because they run counter to the political option to which he subscribes.

From the very beginning, transplanting to the club some forms of actions which are proper in the underground has been a threat to the club. It has turned out that even longtime fighters for democracy have difficulty obeying the democratic rules of the game which should apply in a parliamentary club. The attachment of some of the members of the club to discussing everything only among themselves, the conviction that establishment elites are powerful, and so on, have influenced the operation of the club. However, I am far from viewing the situation as tragic. I think that all of these unfavorable phenomena amount to the unavoidable costs of maturity. I am inclined to regard the tensions which occur as quite natural.

[Krzyzanowski] You have recalled that the attitude toward the new constitution is a factor of differentiation in the club. Could you please tell us what the status of work on the constitution is. Is it possible for the Sejm of this term to adopt the constitution?

[Laczkowski] I am a member of the constitutional commission; I work in the subcommission on the political system. In my opinion, it is our duty to prepare alternative solutions. However, the Sejm of a new term should adopt the constitution. Elections to this Sejm should be held relatively soon. However, many people are opposed to this view, including some within our club.

Personally, I am in favor of holding a referendum before the parliament makes a decision. The entire society should have a say concerning key issues of the future constitution, for example, the office of the president, the extent of constitutional protection of property, and values which will be recognized to be supreme. As it were, I believe that the extent of consultations on the constitution should be even broader, and we should solicit the opinion of the Poles residing beyond the boundaries of Poland as well.

I am of the opinion that the constitution should be the result of a consensus of all forces of society which count, if it is to be stable rather than changed by successive power teams. However, what consensus can there be if the main political forces in Poland have not yet taken shape; the multitude of various political groups and parties indicates that the process of maturity will still take a long time.

[Krzyzanowski] Does the referendum solve the problem under the circumstances?

[Laczkowski] Yes, though we may have doubts about whether participation in the referendum should be associated with a completely formed political opinion given the current status of political awareness. It is necessary to be fully aware of opportunities for choice if we want to

participate in the referendum in full consciousness. It is also necessary to be familiar with avenues along which Polish democracy can develop. It is also necessary for our society to know the genuine threat because, unfortunately, it is not true that there is no return to certain things anymore. I am very much afraid of us beginning to again build real socialism only with different faces, without noticing it.

[Krzyzanowski] Why does the emergence of normal political life proceed so slowly?

[Laczkowski] Indeed, looking at the great involvement of the groups of organizers of numerous political parties, we should say at the same time that their activities bring quite limited results, and facilitate greater disorientation, rather than make the political situation clear.

Unfortunately, the domination of the real-socialist PZPR [Polish United Workers Party] does not end painlessly. For many people, all parties are associated with party strife, and politics with politicking. Being above divisions into various political orientations and proclaiming aversion to politics is considered a virtue.

[Krzyzanowski] However, you must admit that there are societies, also in Europe, in which this virtue is considered normal.

[Laczkowski] Societies which live in the environment of stable [political] systems, societies in which a relatively small percentage of citizens are involved in politics, and the rest, who are spectators making assessments and statements once every so often at election time, may afford this attitude. We should add in all of this that elections are held very frequently in a democratic country, not the big, parliamentary elections, of course, but there is voting for local self-government, judges, and so on.

Meanwhile, Poland is in a special situation; in our country, an authentic change in the political system occurs. There are no normal political institutions; we also do not have an opportunity to emulate any models. Under the circumstances, political programs expressing various options should be presented as soon as possible. Only this genuine variety of propositions and rivalry of the indicated avenues for development may make it possible for our society to make a choice.

Unfortunately, it has become a habit in our country to refer to names rather than programs. In my opinion, this is a very unfavorable phenomenon from the point of view of the development of democracy. We are simply beginning to circulate in the sphere of political labels which are ascribed to individual people. In addition, apart from the possible falsity of the labels, myths are created with regard to some people. My ideal of political life in a democratic Poland includes the existence of three or four political parties with clear-cut programs which express varied versions of the state, the economy,

and society. I assume that these should be parties representing the entire spectrum from the left to the right, which makes it possible to make a real choice.

[Krzyzanowski] Where do you see yourself standing? What is your political option?

[Laczkowski] Everyone of us should ask himself this question in the nearest future, but in the process of responding to fundamental questions on the shape of the Poland of the future rather than on the basis of theoretical considerations. It is not that simple because many of us are not only unaware of the answers, but cannot even ask the proper questions. After many years of not having influence on anything, our conviction still lingers that the freedom to choose is illusory, that changes are a sham in nature. Please note that almost all of us keep saying: Perhaps, something up there, at the top, has changed, but here, in our enterprise, in our gmina, everything is as it used to be. It does not even occur to the thousands of people who say this that they, themselves, are the only ones who can bring about the awaited changes exactly where they are—in the enterprise, in the gmina.

However, I do not want to evade the question on my political views. I believe that I can define myself as an adherent of the right side of the political arena; I would join most eagerly a group with democratic-Christian orientation in the classical, European meaning. I do not like doctrinaire attitudes, extreme positions, and all kinds of intolerance.

It seems to me that many people in Poland, who are put off by political cynicism and vociferous demagoguery, think likewise. We need a party of deliberation and quiet, a party of responsibility, which would want to pursue, first of all, the interests of the state and its citizens rather than the interests of the leaders of the party.

[Krzyzanowski] You are one of the promoters of the OKP Group of Christian Democrats. Some deputies say that you have set up this group as an embryo of a political party.

[Laczkowski] This is not true. The OKP Group of Christian Democrats is a structure envisaged by the statute of the club, and we have founded it with a view to cooperation in the parliament. Sixty-five deputies and senators, who have resolved to define their political option in this manner, belong to it. We do not get involved in developing a program; in our declaration, we only set forth grounds for understanding. They are the conviction that a healthy economic system should be built in Poland, one based on economic freedoms with the inviolable right to property and the freedom of economic initiatives, as well as self-imposed restrictions in our activities following from the social ethics of Christianity. Previously, other groups were formed, for example, the Group in Defense of Workers Interests or the PSL Solidarity [Polish Peasant Party—Solidarity] which is a circle of this political group.

[Krzyzanowski] As a deputy, how do you evaluate the government of Prime Minister Mazowiecki? Do you feel that you are a spokesman for this government?

[Laczkowski] You are touching on a very complex issue. As a deputy, I feel that, first of all, I represent my voters. I am more comfortable with the image of a deputy spokesman for society than a deputy spokesman of the government.

I am convinced that in the past there have been too many deputy spokesmen of the government in Poland. However, on the other hand, I am determined to give my support to the government of Prime Minister Mazowiecki, as well as all members of my club, and not because I view it as the government of last resort, but because the actions of this government in the field of reforming the economy inspire my confidence.

I know well that the implementation of the so-called Balcerowicz program does not proceed painlessly because my family also feels it. I think that we still have to go through many difficult moments. However, there also are real, favorable results of sacrifices made to date. It is very easy to criticize and demand that the program be changed. It is considerably more difficult to withstand this criticism and assume tremendous responsibility. This requires certain firmness and determination, as well as the need for the skill of resisting the opinion of numerous populists and controversial radicals.

[Krzyzanowski] Therefore, do you support the opinion that the government of Prime Minister Tadeusz Mazowiecki is the government of last resort?

[Laczkowski] This is not a government of last resort. However, we should give the Mazowiecki government an opportunity to implement its program to the end. The economic history of Poland after 1948 has been a time of economic plans which were initiated but never finished, beginning with the infamous six-year plan. Let us recall all of the "great reforms" of socialism which have invariably been distorted somewhere along the way because either the power group changed, or the fear of society prompted them to maneuver. The end result of such activities is now in plain view, and this should be a warning against adventurist ideas, all the more so because our society is showing surprising understanding of the situation.

I will admit that, when I listen to some politicians, I wonder whether they indeed have a good knowledge of the state of public opinion.

[Krzyzanowski] If you are not afraid of such a declaration, would you please tell us which ministers you could point out?

[Laczkowski] My constituents frequently ask me that. I answer Skubiszewski and Balcerowicz. My constituents usually do not ask this question in as courteous a form as you did.

YUGOSLAVIA

**Democratic Alliance of Voivodina Magyars
Formed; Aims Detailed**

90BA0194A Budapest MAGYAR NEMZET
in Hungarian 2 Jun 90 p 7

[Report by Sandor Illes: "Voivodina Magyar Minority:
Democratically and With Patience"]

[Text] It was two months ago that the Democratic Alliance of Voivodina Magyars [DAVM] announced its program. According to the 1981 census, 427,000 Magyars live in Voivodina, but their number is estimated to be half a million.

Not Yet a Party

Although the new Alliance is a political organization, it is, for the time being, not a party but merely an "embryonic basis of minority collectivity", wrote Deputy Chairman Janos Vekas in discussing its operation. He believes that the Alliance can concentrate its forces on modernizing and democratizing the conditions within the minority if social recognition of the right to self-identity is going to grow. In that case, the spirit of the model of self-government can come to the foreground. On the other hand, if one must concentrate instead on political struggle to protect minority rights, then the Alliance will function more like a party.

Thus, the DAVM is an organization that serves the collective interests of Voivodina Magyars and strives to achieve more equality among the nations and nationalities in Voivodina, i.e., the Serbian Socialist Republic.

It is stated in its program that it supports social and economic reform in the country, a change to constitutionality, market economy, and political democracy, including a multiparty system. In the awareness of complex problems emerging within the federation, and of national quarrels jeopardizing the foundations of the federative community, the Community [DAVM] believes that the Serbian nation, which has lived together with Hungarians in Voivodina for centuries, has the historic right to protect the territorial integrity of its state. In this sense, the sovereignty of the republic, enforced throughout its entire territory, is the foundation of Serbian democratic national development which should not be allowed to endanger nationality rights. At the same time, the Community believes that ethnic quarrels can be resolved only through democratic means and patience.

Equal Participation

The model of realizing national equality turned out to be unsuccessful, for it did not provide adequate results and does not guarantee an end to accelerated assimilation—including that of the Magyars—and, therefore, there is a need for developing a new model. Nationality rights must be regulated at last. Along with the change to

constitutionality, the model of achieving national equality will also go through drastic changes. In getting rid of the shackles of ideology, nationality rights must also be viewed as having a special bearing on human rights which must also be extended to a nationality as a community.

Which are these rights? First and foremost, an equal participation in the elected organizations of public authority, an adequate representation in administrative and judicial organizations, and the use of the native language. The Community feels it is necessary to allow the establishment of national institutions, organizations, associations, and clubs, and it claims the right to provide public information in the national language as well as the right to support and protect artistic creative work in the national language, and to protect ethnographic values.

Special emphasis is placed on being allowed to organize general and secondary education in the native language and an adequate form of higher education in the Hungarian language, on scientific research, on the protection of urban ethnic colonies and—very important—on developing close relations with the mother country as well as on the unrestricted use of financial benefits received from there for the purpose of individual training and further studies in science and culture.

Disheartening Past

Since announcing its program, the Democratic Alliance of Voivodina Magyars embarked on a resolute and constructive endeavor to start all those processes which can contribute to the assertion of minority rights, to the strengthening of the sense of identity of Magyars living in Yugoslavia, and to a slowdown of the assimilation that has accelerated in the past 15 years.

The Alliance has launched yet another initiative of such significance. It requested the Voivodina Academy of Sciences and the Arts to endorse the launching of a research that would shed light on unclarified questions in the history of Yugoslavia's Magyar minority and on the social and economic conditions of Voivodina minorities.

Confronting the past would clarify many an injustice suppressed until now, without which it would be impossible to build a future and develop a democratic system. At issue are the events of 1944 about which a series of outspoken articles have already appeared of late in the MAGYAR SZO of Voivodina. A fairly reliable historical assessment has been completed, dealing not only with the Serbian, Jewish, and Gypsy victims of the infamous raid but also with those Hungarians and Germans who directly after the war fell victim without legal procedures.

"People still remember the fact that such sacrifices did take place and that part of the cases were handled with no legal procedures. Information relating to events that can be considered acts of genocide on the basis of

international norms, and the fact that those who committed these acts have not been identified, have a disheartening effect on many people's consciousness. The guilt complex is heightened by everyday conversations in which the other party expresses criticism because of the Serbs and Jews who fell victim," says the DAVM's letter to the Academy. (The MAGYAR SZO of Voivodina has already published a picture of the Temerin mass grave and the investigation of the atrocities committed in Bezdan, Becsej, Topolya, Ada, Mohol, Peterreve, Horgos, Szabadka, and other Hungarian settlements will no doubt be published soon as well.)

The correspondent of the MAGYAR NEMZET talked in Voivodina with Chairman Andras Agoston, head of the Democratic Alliance of Voivodina Magyars and with Deputy Chairman Janos Vekas, who described in detail the efforts made by the Alliance to organize education in the native language, making propaganda in the entire area of Voivodina for the benefits of learning [Hungarian].

Chairman Andras Agoston had the following reply to the question whether the Alliance has any prospects of becoming a party and taking part in the elections:

"The members of the organization have various party affiliations. We must consider what is advisable from the viewpoint of the Magyars. For the time being, the organization will have a greater internal cohesion if it can enlist every Magyar, functioning as a community rather than a party."

"With which party would you collaborate if the need for a coalition arose?"

"We would like to be a group that exerts pressure, i.e., an interest group, a lobby. Of course, we would work together with any willing party, but only under certain conditions. We will support a party that implements the best program for coexistence of nations and national minorities. Remaining in opposition would also suit our goals. Of course, we cannot join parties such as the Serbian Revival Party that has been recently founded in Oplenac, in the introductory meeting of which having been said that the greatest enemies of Serbs are communists, Croats and Hungarians."

Nepotism in Diplomatic Service Deplored

90BA0218C Belgrade NIN in Serbo-Croatian 29 Jun 90 pp 28-30

[Article by Dejan Lukic: "The Fine Carving of Nepotism"]

[Text] The policy followed by the leadership of the Federal Secretariat for Foreign Affairs [FSFA] in its attitude in practice toward the facts of today's world is not the position of Milosevic as a whole, but rather of one group, whose champions, well distributed from a personnel standpoint, are currently completely dominant. In view of the fact that this cast has recently (we will not

go further into the past) enriched Yugoslavia's overall policy with several dramatic blunders and gaffes (abstaining from condemnation of Albania in the UN, supporting Ceausescu until the end, Yugoslavia's humiliation by Libya, the poor handling of the Macedonian question, failure in conveying the truth about Kosovo to the rest of the world, the confused and contradictory insistence upon both orthodox nonalignment and Yugoslavia's "European option," etc.), simple logic, and just a bit of ethics, would require the spontaneous abdication of those responsible for such blunders.

Correctness, however, would require that not all of our diplomacy's blunders and slips be attributed solely to Budimir Loncar. Our current Federal Secretary for Foreign Affairs is only a zealous protagonist of the continuity of a bad FSFA personnel policy, the key responsibility for which lies with the two previous state secretaries and one dynasty. The secretaries are Minic and Vrhovec, and the dynasty is the Dizdarevic one.

Curious people will immediately ask: where, for example, is the Slovene here? The answer for them is as follows: one of the most sensitive divisions in the FSFA, information and propaganda, has been ethnically pure for at least as long as the memories of the present generation go back: Kunc, Zupan, Stanic, Jeglic, Vajgl... (and as a footnote parallel to this: for many years, relations with our people and problems abroad were controlled in the Federal Conference of the Socialist Alliance of Working People by two persons, Franc Sepjanic and Zora Tomic).

Two Value Systems on the Scene

People who have been familiar for many years with trends in things and people at the FSFA irrevocably stand by the position (and offer proof) that among the three wreckers of our diplomatic (personnel) policy, the strongest influence and consequences have been left by the Dizdarevic dynasty, and especially Federal Secretary for Foreign Affairs Raif Dizdarevic. Reduced to one current and obvious example, the problems over establishing diplomatic relations between Yugoslavia and Israel, this allegation suggests that the present team's stubborn insistence on blocking the rehabilitation of our relations with the Jewish state, contrary to all the common-sense arguments and Yugoslavia's interests, is a consequence of the personnel legacy of Raif Dizdarevic in the FSFA; his people simply will not let the option of normalizing relations with Israel go through.

This thesis obviously requires arguments, and they will follow, but as chance would have it, a few days ago Raif Dizdarevic forced us to expand briefly on this topic with his recent letter to BORBA, in which he pounced upon the statements by Muhamed Filipovic Tunjo, a Sarajevo professor, philosopher, and now already a politician, under the title of "We Are All Fundamentalists" (BORBA, 3-11 May 1990).

Prof Filipovic, one of the current ideologues of the Islamic movement in Bosnia, an avowed fundamentalist,

stated in the above-mentioned BORBA interview that Raif Dizdarevic, "as foreign minister strove to characterize everything happening in the Islamic world as negatively as possible.... That is why it would not be said that he is pro-Moslem."

Muhamed Filipovic is wrong here. On the contrary, an intensive and extended analysis of the reputation and career of Raif Dizdarevic would show, as those familiar with these things insist, that he fought better and won for some ideas that Muhamed Filipovic is also advocating on the public scene.

Consequently, it is just that there are two ethics on the scene. One of them professes its belief in broad daylight (Filipovic), and thereby acquires a moral alibi for itself, regardless of how much it has been disputed or accepted. The other, hiding the crescent moon under its coat-tail like a cuckoo's egg, even strikes with the hammer and sickle at the heads of avowed sympathizers. That is why it is instructive to take a brief look and see how Raif Dizdarevic, in the above-mentioned response, returned the greeting of Muhamed Filipovic, who, if we may inform the less-informed reader, suffered a hundred miseries and misfortunes during the Dizdarevic dynasty's rule in Bosnia. First of all, replying directly to Filipovic's first comment, Dizdarevic unhesitating states that under his leadership of the FSFA, "the implementation of Yugoslavia's foreign policy took place (and still takes place) before the eyes and judgment of the public, with the Federal Secretary and the FSFA constantly responsible to the Federal Executive Council, the Assembly, and the Presidency...."

This is unbelievable! Is it possible that someone who was Yugoslavia's head of state until recently, and foreign minister before that, can announce to the Yugoslav public, here and now, from the peace of his retirement, that a completely alienated, privatized, hermetically sealed, completely obscure, and taboo sector of national activity like our foreign policy has taken place "before the eyes and judgment of the public"?

And as far as Filipovic's observation about Dizdarevic's negative attitude toward events in the Islamic world is concerned, we could settle it here with a series of counterarguments. It will be sufficient, however, to recall how during Raif Dizdarevic's time (and also before him, thanks to Josip Broz's concept), our relations with the Islamic world, and especially the Arabic world, were in full bloom; but with the fundamental distinction that as a rule, our closest friends were always the Islamic socialist countries in which left-wing dogmatism constituted the regime's foundation, and the despotism of isolated presidents and colonels suppressed and is still suppressing every embryo of democratic thought. Following the radicals and peddling our fraternal loyalty, we anathematized Egypt (1979), in which the idea appeared that the conflict in the Middle East could not be settled by war, and that negotiations and recognition of Israel were the only way.

Brother Prepares the Armchair

Raif Dizdarevic arranges the second surprise for us in his response to Filipovic under the letter "b." At one time Muhamed Filipovic reviewed the book "Islam Between East and West" by Alija Izetbegovic. Raif Dizdarevic assessed the book as "definitely anti-Communist," and Filipovic's misfortune immediately became a double one: because he gave a positive assessment of the book, and because he was thus in disagreement with someone who was then a powerful member of the Presidium of the Central Committee of the Bosnia-Herzegovina LC [League of Communists], and furthermore also a member of one of the most powerful Bosnian clans.

In that capacity, Dizdarevic, at a meeting of the Opstina Committee of the Sarajevo Center LC in August 1983, raised the question of Filipovic's great sin, and demanded that his "maxima culpa" be discussed "in a public, principled, and democratic (!) manner" by Muhamed Filipovic's basic organization.

And so Tunjo went under the ice—in a democratic and principled manner.

And now, let us ask once more: is it possible that Raif Dizdarevic lost sight of the fact that there are many of us who are still alive and of sound mind who know (many suffered from it themselves) what it meant at that time in Bosnia when the grand vizier of the Bosnian party clanked his spurs and cracked his jeweled whip from the divan of the Central Committee, demanding that the people "down in the base" make a democratic, principled, and public declaration of the sin of the grand (?Chafir)?

And since we are talking now about what is principled, democratic, and public, and what is principled should also be imbued within oneself morally, let us turn just for a moment, in order to understand the further course of our story, to the pages of Selim Nusic's book "Good Country, I Lie." The public is more or less aware that Nusic was a key figure in the staged Rankovic affair at the Brioni plenum in 1966. On page 444 of that book, Selim Nusic, a childhood friend of the Dizdarevic family, describes the scene that was played out immediately after the funeral of Nusic's sister and brother-in-law (who died in a traffic accident) in the house of Nusic's other sister Razija and his brother-in-law Mihtat Tufekcic. After returning from the cemetery, the following happened in front of the depressed and dejected Nusic:

"Over coffee, Nijaz told me that his brother Raif had returned from Prague, and that he was leaving the State Secretariat for Foreign Affairs... He intended to go to the Federal Council of Trade Unions. He had prospects of getting the position of chief of the International Relations Department. Immediately after that, he turned to my son-in-law, who was the president of the Republic Council of Trade Unions of Bosnia-Herzegovina, and suggested that they jointly consider what should be done in order to secure that job for Raif. Nijaz also made

additional suggestions about what should be done to ensure Raif's appointment.... I silently watched them, and listened in amazement to their incredible unscrupulousness. Because, returning from the fresh graves overwhelmed with pain, I was expecting from my great friends and wartime comrades... Instead, a scene of nepotism was being played out in front of me. The elder brother was using the influence of his high party position to prepare a new and more comfortable armchair for the younger brother....

"After a short time, Raif was appointed to that position. I think, however, that he did not leave the Foreign Secretariat that casually. He was probably afraid, he and his closest friends, that he could be caught in the wave of ideological and political purges in his organization, especially in the intelligence section, where he worked for years.... That fear was based on the fact that Raif worked continuously for the Security Service from 1945 until the Brioni plenum....

"Raif's sister Hatidza, who had married Krnjevic (Vuk Krnjevic, the writer) came to see Miia (Numic's sister) while I was in the hospital as a prisoner, and made an aggressive threat that she was capable of doing all sorts of things if anyone dared to accuse Raif of anything. She was obviously alluding to me...."

Nepotism Supported by Foreign Exchange

When these lines are read and thought over a bit, then the following ones, on page 474 of the book, only indicate the logical sequence of events. Selim Numic says, "Soon after (the publication of the accusation against Numic) there was a final break between the Dizdarevic brothers and my family. They did this in an unusual, and one might say cowardly, manner. Specifically, Nijaz and Raif telephoned our friend Mithat Muratbegovic... and expressed a desire to see him... Nijaz and Raif came with their wives. After supper, the wives withdrew into another room, and so the three of them were left alone. The Dizdarevics immediately turned the conversation toward me. They began to attack me, seeking the most vile and insulting words possible. Nijaz, for example, said: 'I did not go to see that fool (!) after the Brioni plenum at his house and at the Misovic hospital in order to support him, but rather to tell the fool to help us expose that bandit Rankovic.' (i.e., to bear false witness against himself and the truth—comment by Dejan Lukic).

"Raif interrupted his brother in order to seize an opportunity as soon as possible for more abuse and insults. He also called me a fool, a moron, a person who could see no further than his nose, and who had refused to help Tito and the Party in a crucial historic moment for our country. They jointly asserted that I was not sick at all during the time of the investigation, but was faking and going on a hunger strike. In general, that was a verbal attack against me as a person in which the brothers competed.... As soon as the Central Committee of the

Bosnia-Hercegovina LC gave a serious characterization of me in a closed report, they simply turned their coats...."

In a principled, democratic, and public manner.

The little postfuneral spectacle of nepotism in Numic's book brings us directly back to the magical fabric of nepotism that the Dizdarevic brothers, and especially Raif in his capacity as Federal Secretary for Foreign Affairs, wove in the FSFA's structure. The personnel and ethnodemographic picture from which this kind of foreign policy has been reproduced today is based on the distribution, selection, and continuing perpetuation of a rarely seen family usurpation of a major sector of national activity. The nepotism has naturally been supported by the mobilization and enrichment by foreign exchange of proven sympathizers and of the sons and daughters of proven sympathizers.

How, then, does this fine carving of family ties and friends look and operate up close and in brief?

The founder of the dynasty, Nijaz Dizdarevic: the embassies in Albania, Egypt, Iraq, and even Paris (as ambassador). Chairman of the Foreign Policy Committee of the SFRY Assembly, chairman of the SFRY Foreign Policy Council, and member of the Bosnian Presidency responsible for foreign policy.

His brother Raif: Prague (intelligence officer), Sofia (intelligence officer), counselor in Moscow, then the International Department of the Council of the Yugoslav Federal Trade Unions, Assistant Federal Secretary for Foreign Affairs, and finally, Federal Secretary for Foreign Affairs.

The third brother, Faik: ambassador in Tehran, then in Algiers, and then (now) in Madrid (even though his wife is French).

Raif Dizdarevic's daughter is in the "FSFA's antechamber," the Yugoslav Institute for International Cooperation.

Nijaz Dizdarevic's son is at the embassy in Paris.

The fourth brother, Reuf, is not a diplomat, but he has a brother-in-law. His brother is a minister-counselor at the embassy in Baghdad....

Personnel Circus

People who are familiar with the pyramid that was built and whose firm foundations were laid by the members of the Dizdarevic dynasty indicate that in addition to the first team, there is also an extremely important second team mobilized from other tribes, but of the same character:

Nerkez Arifhodzic, Raif Dizdarevic's chief of protocol in the Bosnian Presidency, then his chief of protocol at the FSFA, and now the ambassador in Tunis.

Hajrudin Somun, taken from the position of adviser (and ally) of Branko Mikulic. The son of a prominent Moslem priest from Cajnic, a passionate fundamentalist (which he may be honestly) but with a party membership card (which is the opposite of honest). His reward: minister-counselor at the embassy in Tehran (previously a counselor at the embassy in Baghdad).

Miroslav Jancic, a Bosnian ideological tyrant, a writer of death sentences and a twister of silken cords for Vojislav Lubarda, Momo Kapor, and other antiestablishment opinions. His most significant activity: lobbying in the Bosnian Socialist Alliance for Raif Dizdarevic in the latter's struggle to get Hamdija Pozderac's position. His reward: Yugoslav ambassador in Accra.

Milutin Galovic: from the testimony of informed sources, Raif's favorite, rewarded for long and faithful service in Petar Stambolic's staff (with all of the implied consequences of that service) with the ambassador's desk in Libya...etc.

The personnel circus in the Yugoslav diplomatic service, in which many people who would have opposed the dynasty, clan, or gang have been pushed aside and anathematized (in the best of cases, they remained without ambassadorial posts), would turn out incomplete, of course, without the fact that the Federal Secretariat for Foreign Affairs is swarming with the sons, daughters, sons-in-law, nephews, etc., of FSFA (and other prominent) fathers, fathers-in-law, uncles, and relatives.

The son of Ivo Jerkic, former chairman of the Bosnian Council for International Cooperation, is at our mission in New York.

The son of Ambassador Zivko Josil and the son-in-law of Nikola Ljubicic was a counselor at our embassy in Libya (his tour has ended).

The son of Hajra Kapetanovic, a Bosnian official who suffered in Mikulic's purge, is the ambassador to Canada.

The son of Osman Karabegovic is a minister-counselor in Sofia.

The son of the late ambassador and assistant state secretary Salka Fejic is a high-level diplomat, currently at the FSFA.

The son of Mata Dronjic is in Melbourne. His connection: Loncar's wife is related to his father Ivica, a member of the Bosnian Republic Conference of the Socialist Alliance of Working People, etc.

"Hole in Memory"

The recent series of our foreign policy failures, the inability of our diplomacy (we are not referring to the melodious rhetoric of its leadership) to absorb the facts and messages of the new times, are thus a consequence, of course, of a meticulous personnel scheme that will bring our diplomacy many more misfortunes, as many informed people are convinced. It is only after a detailed look into this strange situation, however, that one can ponder and decipher the background of the inexplicable steps taken by our diplomatic leadership. That is the only way one can decipher what lies behind the contrived "arguments" provided by the FSFA to the Yugoslav public in order to explain its refusal to try to establish diplomatic relations with Israel immediately and without hesitation. "The hole is not on the planet; the hole is in the memory"; the problem actually does not lie in the facts, but in the well-entrenched, long ago selected, and proven lobbyists for a policy that has no thought of retiring. From that standpoint, Muhamed Filipovic Tunjo can be as calm as a Brahman. Raif Dizdarevic, in addition to what was done by his two predecessors, has appointed and left behind a team in accordance with a principle that is not new at all, if one leafs through the old registries a little: in 1823, the sultan in Istanbul instructed a messenger and sent him on his way with an edict for the Bosnian vali: "Only the children, grandchildren, or descendants of agas and captains are to be appointed to high positions." Allah akhbar!

HUNGARY

Bankrupt Military Supplier Changes Production Structure

90CH00251A Budapest FIGYELO in Hungarian
31 May 90 p 7

[Article by Arpad Hajnocy: "From Military Equipment to Containers: Will Labor MIM [Labor Instrument Industry Works] Become Another Corporation?"]

[Text] The economic rehabilitation of Labor MIM [Labor Instrument Industry Works] began in the spring of last year and is supposed to end this April. In practice, however, it will end completely only if the efforts to found Esztergomi Kontener- es Muszergyar Rt [Esztergom Container and Instrument Factory Corporation] (ECOM Rt) are successful.

The chronicle of bankruptcy in Esztergom actually began in the late 1970's, when a top-secret government decision resulted in investing 1.2 billion forints to start the production of military equipment, namely of special bodies for military vehicles. In the meantime, the factory's planned production structure has slipped away from under the enterprise: the oversized firm has never been able to operate at full capacity even for a single day.

Labor MIM became insolvent. Because it was unable to service its debt, the commissioner whom the ministry appointed in July 1988 to manage the enterprise filed for bankruptcy. Finally, in the spring of last year, the minister of finance ordered the enterprise's economic rehabilitation.

The firm had 3 billion forints of liabilities, against 2.1 billion forints of assets. The reason why it was not liquidated was that a composition of about 1500 creditors agreed to write off 30 percent of their claims, which in principle meant that the enterprise's financial health was restored. Because the remainder could not be paid in cash, the creditors agreed to swap the rest of their claims for equity. Thus, in the first round, Labor MIM's Budapest factory was spun off and converted into a corporation (see our box).

In Esztergom, after slimming the enterprise down considerably and streamlining its production, the management has been able to find a production structure to replace the output of military equipment. With a Swedish and an Austrian partner, the production of containers has begun; and it could generate as much as 13 million dollars in sales this year. The profitable production structure has convinced the creditors that it is worthwhile to become stockholders in ECOM Rt.

The State Development Institute (AFI), which financed investments in the defense industry in the past, has agreed to write off 30 percent of its 1.2-billion-forint claim. But not all the rest of the claim will be swapped for equity, and there are good reasons for the limited swap.

First, there must be assets to cover the capital stock. Secondly, a suitable rate of return is necessary: because the corporation's long-term viability would become doubtful if the capital stock were too large and the profit just enough to pay dividends, leaving nothing for development.

If we take all these factors into consideration, it is warranted to set the future ECOM Rt's capital stock as low as possible. Therefore the AFI will swap for equity only 440 million forints of its claim; two foreign firms will each acquire 150 million forints of equity; and the creditors among themselves will hold a 120-million-forint stake. In accordance with the recommendations of the Economic Rehabilitation Organization, the corporation will repay the balance over a period of 10 years, in 39-million-forint annual installments that it will charge to costs.

As logical as all this may sound under our domestic conditions, repayment of the state's development-fund grant in this manner is incomprehensible to, respectively, the Swedish and the Austrian firms which, as future holders of equity, envisage the production of containers within the framework of a joint venture. (Like attempting to explain the music of Beethoven to a Martian, was how one of the Hungarian experts participating in the enterprise's economic rehabilitation put it.)

The AFI is protecting its own interests, and thereby the interests of the state. In the final outcome, the enterprise's conversion into a corporation will mean its transfer to new owners, but that is of no interest whatsoever to the bank wanting to get its money back.

According to experts, there is also another explanation for the foreigners' "reluctance." Namely, the Swedish partner has provided the technology, documentation and marketing for the Esztergomians; hence, it does not relish the idea of playing second fiddle to creditors turned shareholders who probably know much less about building and marketing containers than it does. A majority of the shares could be foreign-owned only if the corporation's capital stock were increased. For the reasons mentioned earlier, however, that would not really be an auspicious solution.

In spite of everything said, however, this could yet become one of the best success stories ever. After all, the first foreign letter received in Esztergom early this year still declared flatly the absence of any interest in acquiring a stake in the corporation. Since then this view has changed, parallel with the expectations preceding the elections. As things now stand, both the Swedish and the Austrian firm would each be willing to contribute 150 million forints in hard currency to the corporation's capital stock. They would be willing, but have not yet made up their minds. The Austrian firm, in any case, has commissioned the Ernst and Young Bonitas Company to prepare a valuation of the proposed corporation. The firm probably wants to know, among other things,

whether the minimal return on its investment would be at least as much as in Austria.

To facilitate the corporation's formation, the Esztergomians would like to gain acceptance of their particular line of reasoning, which goes as follows: the misguided defense-industry investment was the state's decision; the state brought the enterprise its orders; and also the bankruptcy was a result of state paternalism; therefore the enterprise cannot be blamed for everything. There is much truth in this line of reasoning, although the enterprise itself was not entirely blameless for the shortcomings of its management. But the state budget at present can hardly afford to be generous and cancel the enterprise's debt.

Nor can the creditors afford to do so. The Economic Rehabilitation Organization strictly enforced the principle that every creditor write off 30 percent of his claim, but no more than that. That is why the organization limited the value of the assets Labor MIM can contribute to the corporation's capital stock. To satisfy the remaining claims of about 400 million forints, the plans call for selling off certain factory units, buildings and a part of Labor MIM's 25 hectares of land. As we were informed at the Economic Rehabilitation Organization, this amount will be advanced from the economic rehabilitation fund and then repaid to the fund once the enterprise's real estate has been sold.

Labor MIM expects sales of 1.3 billion forints this year. The production of instruments will account for merely 200 million forints of this amount. According to the enterprise's order books, the enterprise's hard-currency export will exceed 13 billion [as published] dollars. As a legacy of the past, however, this year the enterprise will still have 200 million forints' worth of ruble-denominated export of military equipment. Both the quota and the Trade Ministry's license for this export are available.

[Box, p. 7]

Labor MIM consisted of two separate factories, different also in their production structures. To spin off the Budapest factory, which had merged with the enterprise in 1963, seemed the obvious solution at the time of the enterprise's economic rehabilitation. There were two ways of accomplishing this: either by making the Budapest factory a state enterprise under state supervision, or by converting it into a corporation.

The minister of industry did not agree to the first way. To rehabilitate the enterprise economically, therefore, the Laboratoriumi Muszergyár Rt [Laboratory Instrument Corporation] was formed as a closed corporation, with Hungarian shareholders. According to the plans of the Economic Rehabilitation Organization, the company will eventually become an open corporation, by increasing its capital stock and, preferably, also by attracting foreign shareholders.

There is pressing need for an infusion of foreign capital because, among other reasons, development was rather neglected during the past decade; and also because the Laboratory Instrument Corporation, as a condition of its incorporation, has assumed an assets-commensurate share of the Esztergom factory's accumulated debt. Of the more than 0.5 billion forints of debt, 170 million forints will have to be repaid within three years, and this debt burden does not make the corporation very attractive to foreign investors for the time being. Despite the fact that, during the preceding short year, the corporation earned a pretax profit of 13 million forints on its 200 million forints of own output; and this year, even according to pessimistic estimates, output is expected to reach 600 million forints.

The Esztergom factory is not among the Laboratory Instrument Corporation's shareholders, all of whom have written off 30 percent of their claims. The reason for the Esztergom factory's absence is quite simple: the debt exceeds the assets. Although the enterprise is exporting more than half of its output to the Soviet Union, its managers claim that the firm has a promising future: its products—instruments suitable for analyzing farm products—are much in demand in the Soviet market.

BULGARIA

Purchasing Power, Efficiency of Labor Assessed

90BA0246A Sofia BTA NEWS BULLETIN in English
21 May 90 p 2

[Unattributed report: "The Price of Bulgarian Labour"]

[Text] The Bulgarian has to work longer than the Swiss, the Italian, the French, the Greek and the West German shopper to buy whatever goods he needs. For one kilogramme of lamb the Bulgarian works 4 hours 26 minutes, while the Italian gets it for 44 minutes' work; the Bulgarian works 25 minutes for a bottle of beer, but the West German only 3.5 minutes. For one kilogramme of coffee the Bulgarian works 25 hours, while the French works only 58 minutes for it; for a litre of petrol the Bulgarian works 42 minutes, while the Swiss works only three minutes. For a colour TV the Bulgarian works four months and then he is lucky if he finds one in the shops. For a Soviet-made car he works four years, but he has to wait over 15 years for his turn to get it. These data were published by the "168 Hours" weekly of the Bulgarian private businessmen.

As compared with the Austrians, the annual labour efficiency of the Bulgarians is only 42 per cent. East Germans come top in labour efficiency with 70 per cent and the Romanians the lowest with 31 per cent. But "real socialism", the paper writes, has created such conditions which make the heart of any capitalist start throbbing: very low expenditure on manpower. The average annual remuneration in Bulgaria is 4150 Austrian schillings—higher than in the other East European countries. But if the Bulgarian exchanges it in Austrian banks he gets only 266 schillings for it, and not 4150 as the official rate is. The difference is nearly 16 times lower. This is the real value of the lev. It is one of the currencies which has lost the confidence of the market the most. The Hungarian forint is the only currency of the East European countries which is attempting to be real.

If Austrian labour efficiency were introduced in Bulgaria, 840 thousand Bulgarian workers would be redundant. (BTA)

CZECHOSLOVAKIA

Internal Convertibility Risk Evaluated

90CH0338B Prague HOSPODARSKE NOVINY
(supplement) in Czech 18 Jul 90 pp 1, 3

[Article by Dr. Zdislav Sulc, Candidate of Science:
"Internal Convertibility—When and How?"]

[Text] The transition to convertible currency is one of the key issues of our economic reform. All economists agree on this but differ on questions of the appropriate time and method for that operation. The gravity of this step prompted our federal government in its program for economic reform (decision of the CSFR Government

No. 342 of 14 May 1990) to make its decision on this problem contingent on the presentation of properly documented analyses to prove that the one-step act introducing internal convertibility as of 1 January 1991 is justified.

Initial considerations based on numerical data indicate that such a step involves a high degree of risk for our further economic development, both due to the character of the matter per se and to great many uncertainties that are difficult to enumerate in advance. Moreover, previous attempts in this particular direction have shown considerable weaknesses. In essence, the possibility that certain premises of this operation may fail has been disregarded; however, even under the assumption that this operation will proceed exactly as expected, the amount of foreign debt of the CSFR would reach the extreme limits of safety (debt service at the level of 22 percent of hard-currency earnings).

The above-mentioned governmental decision specified the limits for the determination of the initial exchange rate of Kcs with central correction of wholesale prices in the range of 17-24 Kcs/\$. It was proposed that the operation be undertaken at the upper limit of that range.

The concept of the operation is based on theoretical restructuring of the role and effects of devaluation in a functioning advanced financial market economy. In such economies, where the problem is not so much to "produce" as to "sell," devaluation serves to expand markets of their domestic products in the West, to restrict the entry of foreign manufacturers to domestic markets, and to achieve a balance of trade in their country. Such an operation may count on fully functioning commodities and currency markets.

In Czechoslovak conditions that operation will proceed in a situation where the economy is still facing the problem of how to "produce" as well as how to "sell," particularly in foreign but frequently also in domestic markets. The adaptation of economic subjects here may be expected at the earliest in one to five years. Functioning commodities and currency markets are only beginning to form, and it will take them not weeks or months but years to rectify their errors (demonopolization, establishment of new price relations, improvement of bank mechanisms, stock exchange, etc). Moreover, at the same time denationalization and gradual privatization are underway, and during those stages new enterprise management are only in the process of formation. This situation is unprecedented in the history of world economy.

There is no doubt that with so many flaws in the mechanism of economic functions, it cannot be expected that the process of devaluation will continue smoothly, so much less so because even in functioning market economies such operation is usually connected with disturbing phenomena that cannot be fully predicted, particularly with the reaction of the "other party"—i.e., of foreign partners. This has been confirmed by the

experience with the January devaluation in our country, which led to a considerable drain of our national income to foreign countries.

To make realistic assessments of the presumed effects of devaluation in this area, we must have a systemic concept of its effect on changes in the price range (price of dollar raised by every Kcs) increases the price of all imported raw materials, semifinished products and goods, and thus, also the costs and prices of our domestic products). Some evidence about the impact of that effect in our current situation is presented in Table 1 which is based on calculations of the Federal Price Bureau. It demonstrates how a certain rate of exchange of U.S. dollars affects the level of our wholesale prices.

Effect of Kcs/\$ Exchange Rate on Wholesale Prices

Rate: Kcs/\$	17.0	20.0	28.0	30.0	35.0
Increase of wholesale prices (in Kcs billion)	248.0	404.0	813.0	992.0	1,275.0
In percent	12.5	20.3	40.9	49.9	64.1

It is stated that with the anticipated devaluation to 24 Kcs/\$, wholesale prices will rise 30 percent, which is more than twice the increase of the price level at the current exchange rate of 17 Kcs/\$. We should note that other calculations based on comparisons of parity purchasing power (i.e., the amount of goods and services that may be purchased in a particular country for one unit of its currency) generally arrived at a rate lower than 10 Kcs/\$. Although a shift to the Kcs' disfavor should be expected after the price reform, it will not be so extensive as to balance parity of purchasing power at the level of the current commercial exchange rate.

The difference between these rates is a result of enormous structural deformations of our economy caused by the "planned" economy over the past forty years (deformation of the structure of prices, production, employment, subjects of entrepreneurship, etc.) and on that basis, it expresses the artificially created imbalance of demand and offer of hard currency both in the enterprise sphere and among our population. This imbalance only reflects the overall imbalance of Czechoslovakia's economy. Extreme marginal values of exchange rates ("black moneychangers" or auction rates) are the outcome and not the cause of that imbalance. For that reason, all attempts to plot the sequence of steps toward an economic reform precisely from this end are very questionable because such marginal abnormalities become then the criterion of economic adaptation. On the contrary, the sequence of steps should aim at eradication of main sources of such extremes and create conditions for their normalization.

What effects on the production sphere may we expected, if we assume that the upper limit equal to 24 Kcs/\$ will be chosen as the point of departure for the price reform and for consequent liberalization of prices and exchange rates?

- First of all, we must expect that if the price level experiences a marked increase of at least 30 percent and consequently, production costs will escalate, the range of enterprises rendered unprofitable by that action will further expand. At the same time, the opportunities for their adaptation will worsen because in particular, higher prices of imported inputs will make foreign technologies even less accessible. The adaptation will increase the number of potential candidates for liquidation or external aid.
- Second, the assumption is not very probable that advantages offered to exporters will substantially increase profits from exports, especially in freely convertible currencies. In the present situation the main obstacle is not so much a lack of incentives to export but a lack of convertible, competitive goods and services, particularly in machine engineering. No marked changes in this direction may be foreseen earlier than in two or three years when more significant results of adaptation may be realistically expected. On the contrary, the operation will further promote incentives for exports of raw materials and semifinished products, which increases the risk that the imbalance in our domestic market of semifinished products and investments will further deteriorate (aggravation of supplier-consumer relations). For the manufacturers, especially producers of finished goods, in our country, that will even more aggravate opportunities for adaptation.
- Third, both preceding processes together provide suitable conditions for the operation to go hand in hand with rapidly declining production and growing unemployment. Thus, conditions for the creation of national income are drastically deteriorating, while demands for its use are increasing (financing of adaptation programs for "losing enterprises," retraining programs, unemployment benefits, etc.).
- Fourth, the risk that the trade balance will deteriorate will greatly increase, which will generate pressures on the growth of foreign indebtedness.

Potential Effects on Population

A marked increase of wholesale prices as a result of the 24 Kcs/\$ exchange rate, wholesale prices, with concurrent liberalization of prices, must also be reflected in a steep growth of retail prices above the level achieved by central rectification. Because it was assumed that a certain range of firm prices may be maintained at the level achieved after central rectification, the question of subsidies to such prices will again appear. With the probability of a concurrent rapid rise in unemployment (see the preceding paragraph), there is an increased risk of factors of cost inflation both in the wage area (it may be expected that wage conflicts will develop and proliferate) and in the state budget where lower production means lower revenues from taxes, and conversely, also increasing expenditures (unemployment benefits).

If continued, a higher exchange rate for tourists may act as another factor promoting inflation. This is a further departure of the exchange rate from parity of purchasing

power, especially with the presumed broad expansion of nonvisa contacts; in its modified form it may repeat the same processes which occurred after the January devaluation. If firm prices, particularly those of certain food products and other items, are maintained, buying out of such goods will follow, with the risk that the balance in the market of consumer goods will be upset; if prices are decontrolled, strong pressures aimed at price increases must be expected (higher foreign demand in domestic markets due to differences between the tourist rate of exchange and parity of purchasing power of currency).

Potential Effects of the Proposed Mechanisms

Even those who proposed a further devaluation to 24 Kcs/\$ admit that even that exchange rate cannot by itself guarantee a balance of the hard-currency market. Therefore, they expect that the application of control mechanisms will reduce demands for hard currency.

A. The main emphasis is on restrictive budgetary and currency policies. The expressed objective for 1991 is to achieve a surplus of at least Kcs10 billion in the state budget.

Among the three groups of factors which are supposed to play there a decisive role, the most realistic seems the presumed cut of expenditures for defense and administration. However, even here one should ask whether potential cuts of expenditures will produce actual benefits already in the first year, and furthermore, whether the cuts in expenditures for defense will not be transferred to pay for increased costs of conversion of our industry.

Assumptions that the rate of growth of costs for social consumption may be reduced seem completely unrealistic, because due to accelerated structural changes in our production (unemployment benefits, costs of retraining) and due to planned social programs (increased pensions, maternity benefits, etc), it is more likely to expect a trend in the opposite direction.

The third resource, limits on subsidies to the enterprise sector, involves the greatest risks. The growing number of unprofitable enterprises and higher costs of their modernization due to devaluation are liable to exert pressures for higher subsidies (bailout programs). A passive approach in this direction (abandoning unprofitable enterprises to their fate even at the cost of bankruptcy) would be sensible in a situation where it may be realistic to expect that such a fate will affect small enterprises. However, in our situation, especially after the devaluation, that predicament will face mainly large enterprises with thousands of employees in key sectors (machine engineering, chemical industry, etc).

Success of the operation cannot be measured by the highest number of enterprises facing bankruptcy. On the contrary, during the period of transition the center must energetically pursue policies that assist enterprises in extricating themselves from a situation which is the outcome of the center's planning in previous years.

Moreover, passive policies based on nothing more than reduced subsidies involve a risk that even greater revenues from taxes will be lost because of the declining production and an increase of unprofitable expenditures (unemployment benefits). It seems that this year already the restrictive policies in the state budget have produced a similar effect.

Subsidies paid to the enterprise sphere are the consequences of the nonmarket position of enterprises for several decades. Solutions cannot be deducted from consequences but from causes. Therefore, the key here is the transition of the enterprise sphere to market economy, which changes the purpose and character of the subsidies. Instead of "supplements" serving to eliminate the disproportions between the natural and "value" aspects of centrally planned production, in the transition to market economy subsidies will become a selective temporary—i.e., precisely defined in terms of time and quantity—mechanism of adjustment to conditions of market economy.

Restrictive monetary policies are based on the assumption that offers of credits in economy will drop to the extent of Kcs30 billion. The mechanism should be an increase of the commercial credit rate up to 15 percent or more. However, those concepts completely ignore the fact that the enterprise sphere is profoundly in debt (against debts of Kcs529 billion, according to data of 1988, deposits amount to only Kcs117 billion). In particular, stockpiles for which credits are still granted are an encumbrance for commercial banks, seriously complicating their operations on completely commercial basis and thus far, it de facto prevents one of the most important institutions of central control of credit grants, the handling of mandatory contingency funds of commercial banks, from being put into practice. If these problems are not resolved, it is very questionable whether the effort to restrict credits may succeed (especially in an inflationary situation credit is a weak instrument for credit restriction).

B. The so called supplementary control mechanisms will continue as before to set limits on purchases of hard-currency funds by our citizens, and limits on imports for "consumer goods inventory." Nevertheless, it was conceded that the Kcs exchange rate (the so called tourist rate) might be increased; we have already discussed the risks involved in that step.

In the enterprise sphere, there are two versions under consideration, with clear preference for the standard 20-percent surcharges on the tariff value of imports (except for essential raw materials) rather than for the system of deposits for imports which importers are required to pay to commercial banks 30 days in advance. The main risk here is again the inflationary impulse because such surcharges would mean an additional 10-percent increase over the presumed increase of the price level after the 30-percent devaluation.

The Impact on Macroeconomics

The projected monetary operation is now being introduced in our economy which is only on the threshold of its transformation into a monetary economy and which does not have at its disposal any functioning mechanisms with the ensuing conformable marketing and monetary stereotypes of conduct on the part of economic subjects; it is highly probable that risks will pile up, with the obvious result of marked deviations from the projected assumptions. Serious macroeconomic consequences must be expected primarily in two areas:

1. The planned volume of interventional hard-currency fund amounting \$2 billion will not suffice to maintain the projected level of the Kcs exchange rate. If that limit is exceeded, our debt will surpass safe limits of debt services. It is a moot question whether it is realistic to count on additional credits above the projected level in conjunction with our admission to the International Monetary Fund and with bilateral agreements with central banks of certain advanced countries.

2. In conjunction with projected price decontrol and with the existing degree of monopolization of production, it is hardly probable that the price level will stop growing when it reaches the anticipated 30 or 40 percent in the wholesale price sphere. It may be expected that this will be reflected also by further pressure to increase retail prices, which will set off an inflationary spiral. If these two processes are combined, it will be even less realistic for the center to control them by mechanisms conformable to market conditions.

The extent of risks involved in the planned operation once again poses the urgent question whether for the further development of Czechoslovak economy it would not be safer to divide it into two stages: first, to decontrol imports and exchange rates. Thus, two hard currency markets will continue to exist in the first year after this step is taken—one at the official rate and the other a free market. On the basis of uniform standards, exporters will be guaranteed a certain share of the hard-currency collection for their unrestricted use. On the basis of stipulated regulations, importers will be guaranteed the right to purchase hard currency at the official rate (import licenses, especially in the area of raw materials, hard-currency credits for fast-return imports of technology, etc). Free market will be subsidized from exporters' free surpluses and in addition, from the interventional fund of the central bank limited by liquid assets (including certain loans), in other words, to the extent which does not threaten to substantially increase indebtedness and exceed the safe limit of debt services.

The actual impact on economy will become evident only in the course of the year after this first step is taken; that will be the time to deal with the question of strategy of the next step toward complete decontrol of exchange rates and of foreign trade. The point of departure must be the premise that more than four-fifths of the revenues in all markets come from domestic markets (slightly more

than one-half from sales of semifinished products, one-tenth from the investment market, 18 percent from the market of consumer goods and services, and only about 13 percent from foreign trade). Therefore, if basic factors of market economy are to begin functioning, an initial balance must be first of all achieved precisely in our domestic markets. That will make it realistically possible to estimate the costs of adjustment during our transition to market economy, to plan more accurately our further steps toward the full opening of our economy to world markets, and to reduce to a minimum the risks involved in that process.

Such a procedure presumes that at the first step no further devaluation of the Kcs is contemplated. Thus, price corrections are made at the existing exchange rate of 17 Kcs/\$. On the contrary, the problem of potential devaluation or conversely, revaluation may be resolved only on the basis of real organization of decontrolled domestic markets.

Multitude of Views on Privatization Noted

90CH0338A Prague HOSPODARSKE NOVINY
(supplement) in Czech 18 Jul 90 p 5

[Article by Dr. Jiri Spanel, Research Institute for Engineering Technology and Economy in Prague: "Weak Points and Projections"]

[Text]

Domestic Financial Funds Do Not Correspond With the Value of State Property

It is obvious that debates about privatization agree that it is necessary to abolish authoritarian central control where orders coming from the administration were substitute for the fulfillment of the function of public ownership. Another consensus calls for separation of our economy from the state, for commercialization, etc, but when it comes to privatization as such, we may note that every group—and probably every economist—advocates a different view.

The proposal by the Federal Ministry of Finances [FMF] on privatization is the only one that counts with the basic method of privatization by a "great leap" which will transfer a major part of production assets to our entire population. This proposal was criticized, for instance, by Dr. Zdislav Sulc and Eng. Miroslav Greg in HOSPODARSKE NOVINY No. 18, 1990. To the detriment of the case, critics and defenders have focused their attention on the problem of "coupon privatization" alone, although the FMF's proposals are aimed at a number of methodological and organizational problems stemming from denationalization.

However, we in fact can hardly afford privatization from our private domestic funds because mobilization of our citizens' savings would make it possible before the year 2000 to transfer to private persons in our country at

most 10 percent of total assets estimated at Kcs5 trillion and currently owned by the state.

Thus, stocks of enterprises would be given away without any gain for the state treasury. Neither would enterprises acquire any new capital. Nothing would be created except an extensive stratum of small "rentiers" who soon would demand their dividends. In practice, however, stockbrokers, banks or silent partners would soon hold all the rights of disposal and ownership. This may result in mass efforts to trade those rights for cash and thus, in strong inflationary pressures and consequently, even in speculations and corruption.

Nevertheless, I think that it may be advantageous to implement this "public" privatization program in a considerably adjusted and partial form combined with certain factors from other proposals, for instance, with the establishment of holding companies. The ownership of such "public" stocks, however, should not constitute a basis for claims of cost-free ownership, but only for advantageous preferential sales of stocks to employees, housing stocks, etc.

Other variants skirt the issue of privatization by opting for independent entrepreneurship, whereby the property of the enterprise is transferred—either free of charge or on a basis of a kind of economic lease—to the management consisting of a team of employees (see, for instance, Eng. Vlasta Habova in HOSPODARSKE NOVINY No. 11/1990). This variant in its pure form has been appropriately compared with cooperative ownership; it is unsuitable for large industrial enterprises where it is not feasible for an individual worker to participate in entrepreneurship.

One-fifth of employees in our industry are changing their jobs every year and thus, demonstrating that they are more interested, for example, in immediate wage increases, than in long-range benefits. Objectively desirable participation of employees in the management of enterprises may be here ensured by other methods—for instance, participation of employees' representatives in supervisory council, already approved by law, or an opportunity to purchase shares under advantageous conditions.

The concept of the Public Ownership Fund (see for instance Dr. Zdislav Sulc in HOSPODARSKE NOVINY No. 18/1990) offers an enticing option for the solution of the problem of ownership. Enterprises would pay dividends on their initial capital assets to that fund and when the sum total of the paid dividends is equal to that of capital assets, the enterprise becomes its own unlimited owner. Unfortunately, no further specification of the owner is provided. Obviously, it would be neither the state nor the personnel of the enterprise, and probably not the director or the management.

I shall try to quantify the Public Ownership Fund on an example of the metallurgical, machine and electrical engineering enterprises which comprise roughly one-half of our industry. In early 1990 this particular sector had

at its disposal production assets in the amount of almost Kcs 600 billion [sic], of which about Kcs280 billion represented part of the current value of their capital assets and working capital. The situation of their investment credits was about Kcs40 billion, and their estimated operational credits amounted to Kcs 80 billion, while their annual volume of interest paid for 1989 was almost Kcs 11 billion. Interest payments to the Public Ownership Fund would come from the assets. With the annual rate of six percent it would bring the FMHSE [Federal Ministry of Metallurgy and Engineering] Kcs17 billion per year. Even in view of our thus far creeping inflation, the six percent rate may be regarded as far too low to be a true reflection of the value of the capital. On the other hand, gross profits of Kcs30 billion are planned for 1990. Thus, if the interest is paid as before on the basis of financial outlays, in other words, actually on profits before taxes, the profit basis will drop to Kcs13 billion, which would proportionately reduce not only payments to the state budget but also allocations to the development and special compensation funds!

That would then impose considerable restrictions on the resources of both the state budget and the enterprise budget; a strong Public Ownership Fund thus created would be comparable in its extent to the overall volume of the FMHSE's investments—Kcs21 billion in 1989—with a tendency toward a temporary slump. According to Dr. Zdislav Sulc, this fund would self-finance the program of economic restructuring—but who would then set up a new administration to prepare proposals for such really extensive redistributions? After all, this is a question of resources amassed by the center to a far greater extent than during the period of the most rigid authoritarian management. This would lead to even greater destitution of our enterprises, and what is more, it would impoverish our state.

Naturally, at least one-half or more probably, [three]-fourths of our enterprises can pay no such interest, much less accumulate their own funds for development. Furthermore, the proposal under discussion also disregards that it would be necessary to repay the already existing credits amounting to Kcs 120 billion from the resources of the fund for development. The advocates of the Public Ownership Fund may object that the interest paid to that fund is "an objective criterion adaptable to market conditions and expressing minimum efficiency of assets"; in that case, however, it would be preferable to avoid any experimentation and to launch directly programs of legal consolidation under state control in three-fourths of our enterprises, to change their management, or to liquidate them.

Furthermore, the above quantification reveals that under such heavy encumbrances stemming from interest payments in branches of the FMHSE, the Public Ownership Fund in that sector could be repaid on the average no sooner than in 15 years.

In my view, this fund would be useful under three conditions: If the interest (payment) rate is very low (one

to two percent) and in fact, if it has the character of an earlier proposal calling for critical levies on the amount of assets to be paid to a central fund for reconstruction, rather than the character of denationalization payments; and if at the same time the tax (payment) encumbrance of an average enterprise declines by at least the same rate. In practical terms, however, this would create a special fund to the detriment of the state budget (who would manage it?). And thirdly, this fund should grant only advantageous but returnable loans.

Furthermore, each of said variants stipulates fundamental restructuring of the taxation and levy system as an essential precondition for the establishment of the Public Ownership Fund and for denationalization in general. After all, we must consider that in 1989 metallurgical, machine, and electrical engineering industries paid the state Kcs 22 billion in taxes on profits from value added which amounted to about Kcs 150 billion; Kcs 25 billion in taxes on wages; and Kcs 13 billion in interest and penalties. Their employees paid Kcs 10 billion in income taxes. Machine and electrical engineering have "produced" additional Kcs 14 billion for the state budget as the difference between the retail and wholesale prices of consumer goods, including automobiles.

The last variant of denationalization and subsequent gradual privatization programs, which is being debated, is the transformation of state enterprises into joint-stock companies and the creation of managing holding companies following the Italian and Austrian model (see for example Eng. Jaroslav Votruba in *HOSPODARSKE NOVINY* No. 15/1990). In my opinion, this variant is the most feasible for our Czechoslovak engineering industry because it not only facilitates an influx of foreign and domestic private capital, but in part also the introduction of an adjusted privatization variant proposed by the Federal Finance Ministry. Above all, in case of small engineering enterprises, manufacturers of consumer goods, subcontractors of special supplies, services and repairs, etc, it is possible and appropriate to permit privatization even outside the holding structure.

However, even holding companies, as promoted by Eng. Jaroslav Dusek in *HOSPODARSKE NOVINY* No. 21/1990, are no panacea; at least their main risks should be pointed out. A holding company with the predominance of "state" capital will be managed by an administrative council to be appointed, more or less in the beginning, by the above-named state administration. However, vis-a-vis subordinated joint-stock companies it will act as the owner, collect dividends and thus, determine the cash flow among its subordinated companies as well. It is neither clear nor certain why (according to J. Votruba) a member of the holding council should be interested exclusively in long-range interests of the company, or more precisely, equally in long-range interests of all subordinated companies.

Market-Pricing Problems Discussed

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in Czech 19 Jul 90 p 7

[Article by university lecturer Eng. Zdenek Podebradsky, Candidate of Science, Research Institute for Livestock Production, Prague-Uhrineves: "Pitfalls of Price Decontrol"]

[Text] Certain changes of our agricultural pricing policies are now under way. By its decision of 24 May 1990 the CSFR Government decreed that the negative sales tax for food products be abolished and compensated by higher retail prices (approximately Kcs27 billion) and partly also by lower procurement prices of agricultural products (about Kcs8 billion). That will balance the relations between wholesale and retail prices and eliminate agricultural subsidies. The objective here is to achieve an adjustment that is unique in the world because all countries with advanced economy subsidize food products in various ways, according to the specific situation of each particular country.

At the first glance it may seem that lower procurement prices of agricultural products will aggravate the economic situation of our agricultural workers. To prevent that, it was decided to compensate this cut with approximately the same volume of surcharges. Thus, it appears that practically nothing much is happening in the economy of agricultural products. Yet there is a difference—and a fundamental one at that—because the surcharges are covered from the funds of the state budget, or as the case may be, from price funds of the ministries of agriculture of both our republics. Thus, the subsidies have the character of reimbursement and are not included in the calculation of wholesale prices.

Specific changes (some have been published, others will be published in the future) will certainly prompt producers to engage in many considerations and wholesome speculations, because this adjustment will bring about relative reduction of income from livestock production (for instance, in dairy milk by Kcs0.05 per litre) in connection with surcharges on selected marketed produce, mainly grain for fodder (by Kcs100 per ton).

Adjustments of procurement prices along with the surcharges for the remainder of 1990 will not generate any major effect on our economy. Far more important will be the establishment of a price system applicable from early 1991, in other words, from the beginning of the implementation of market mechanism which will reflect the Kcs27 billion annual increases of retail prices as mentioned above.

So much for the introduction. In this conjunction, there are several problems and considerations that should be conducive to reflection about our new economic situation that is beginning to take shape.

All our considerations must stem from the process of expanded agricultural production as an integral part of

net material product. In the past we had witnessed how the income earned by our agriculture was being siphoned off to other areas of our national economy. Let us recall at least the period in the eventful 1950's when heavy industry was being one-sidedly built up as a foundation which now can be seen as Czechoslovakia's futile sacrifice to other "peace camp" states and a detriment to our current living standard. In the late 1960's and early 1970's funds for agriculture were released, which sharply increased finished agricultural products; as a result, the our population is now supplied with basic foods which fully satisfy its needs.

In recent months the restructuring of the market mechanism in agriculture has been planned up to retail food prices. This is certainly important in view of the level of food prices in the neighboring countries in conjunction with the opening of our borders. In my opinion, however, a far greater problem is the solution of price relations between supplier industries and services whose inputs and their price directly affect the economy of our agricultural production.

The fact that everything is not in order may also be confirmed by the way the production and distribution costs and profitability have developed thus far. These data have been observed over an extended period and relatively accurately in JZD's [unified agricultural cooperatives]. It appears that, for instance, in 1978-88 production and distribution costs in the JZD system in the Czech Republic, including about 60 percent of all cooperatives, rose 54 percent, while the volume of production increased "only" 40 percent. This seems to indicate that our agricultural workers were been producing at escalating costs and with declining efficiency, and that the state had to subsidize the process of production from public funds. However, let us take a look at the actual situation (see the Table):

Production and Distribution Costs, Incomes and Returns From Agricultural Production per Hectare of Agricultural Land in Kcs (JZD System in the Czech Republic)

	1978	1982	1986	1988
External material costs	8,559	12,123	14,268	14,888
Production costs	2,890	2,803	2,763	2,781
Total external costs	11,449	14,926	17,031	17,669
Receipts	12,338	16,875	18,305	18,714
Subsidies	820	847	938	1,112
Returns	13,158	17,722	19,243	19,826
Profits	1,709	2,796	2,212	2,157
Degree of profitability (in percent)	14.9	18.7	13.0	12.2

As compared with 1978, in the past period 40 percent more agricultural products were produced on the same acreage, while the labor costs remained unchanged. Thus, the productivity of direct labor of agricultural workers substantially increased, mainly due to higher yields and utility values. Nevertheless, material costs were up 74

percent, while natural consumption of material per unit of final product declined, which means that the prices of procured materials rose about 40 percent (more than Kcs3,300 per hectare of agricultural land). This was reflected partly in higher prices of agricultural products and partly in higher subsidies, but with a 40-percent increase of production profits rose only 26 percent, as evident from declining valorization of the unit of deposit—in the criterion of profitability.

Why am I discussing this fact at such length? On the one hand, it is clear that higher returns (from assets invested in agriculture) only passed through agricultural enterprises and ended in cash registers of enterprises—suppliers of material and production assets. Therefore, agricultural workers were not responsible for the deteriorating economic situation of our state.

Could the growth of prices of inputs in agriculture be stopped? This is a major problem if for no other reason than because it is expected that next year the prices of industrial products will be decontrolled. If independent industrial enterprises are to operate profitably, they may set prices of their goods on the basis of their own calculation. While at least the basic principles of market economy have been operating, albeit with certain restrictions, for some time in agriculture, and the state is still setting most prices, a monopolistic character of production still predominates in industry and free pricing will be determined on an economic basis. Could it then happen that agricultural workers, who (unfortunately) are at the end of the production chain, will again have to pay for the backwardness of our industry? In that case we cannot stop the spiral of inflation.

If industry (modern industry!) could operate with the same high efficiency as elsewhere in the world, and be stimulated to do so by competition, prices of inputs could be much lower. Then nothing would prevent our agriculture to reduce current prices. However, there is no rapid change in sight. For that reason, it will be important to follow the movement of prices of inputs and flexibly to adjust prices of agricultural outputs in order to ensure the process of reproduction also in our agriculture.

Stagnation or even reduced production in agricultural production will not be evident instantly; because of inertia it will make itself feel after several years. So much more insidious is any disregard of this principle, because the launching of agricultural production is a long-range venture. It is obvious that the last thing we want are empty stores.

HUNGARY

EC Spokesman on Prospects

25000762A Budapest FIGYELO in Hungarian
28 Jun 90 p 7

[Interview with Nico Wegter, spokesman for the EC and for EC Committee Vice Chairman Frans Andriessen, by FIGYELO editor in chief Gyorgy Varga; place and date not given: "Hungary and the European Community: Long March Ahead"—first paragraph is FIGYELO introduction]

[Text] Hungarian Government circles are more realistic by now about our relations with the European Community (EC), than they were at the time they took power. What can we count on, indeed? What kind of efforts exist within the EC for Hungary to become a resident of the common house of Europe as soon as possible? Gyorgy Varga conversed with Nicu Wegter, spokesman for the EC and for EC Committee Vice Chairman Frans Andriessen about this issue of strategic significance to Hungary.

[FIGYELO] There are great expectations in Hungary regarding an agreement of association with the EC. According to circles close to the government, negotiations may begin as early as the autumn of this year, and the agreement may be completed by early next year. Would you please tell me how realistic this prognosis and expectation are, and what could become the more important topics in the [various] rounds of negotiation?

[Wegter] No exact schedule has been prepared for negotiating an agreement of association. The Community is still exploring and developing the contents of a possible agreement of association, i.e., what the agreement should aim for. This is our internal business. The basic concept has evolved already, because in this regard the ministerial council of the Community and the Council of Europe have reached an agreement. But details still have to be worked out, and this certainly takes time. In light of this I doubt that negotiations would begin in the fall, perhaps in September. Accordingly, we should treat this issue as an open matter.

It is the series of exploratory negotiations one must concentrate on at present and in the near future. Supposedly, these negotiations may begin during the second half of the year, before the end of the year. Accordingly, it is clear that conditions are not ripe for concluding an agreement of association early next year.

[FIGYELO] This position is clear-cut, particularly for those having illusions even today that Hungary may become a full-fledged member of the Common Market within three to five years.

[Wegter] Having illusions is not a bad thing. They can serve a good cause. The EC is aware that Hungary wants to strengthen its ties with Europe and wants to declare its membership in Europe. Nevertheless we feel that under the given circumstances the claim for full-fledged membership is not realistic, for two reasons. First: the development of Hungary's present political and economic structure has not reached the point at which it would be able to comply with the criteria applicable to full-fledged membership.

Second: In its present developmental phase, the EC is deepening, I could say intensifying, its own system of integration. We cannot proceed faster in establishing and developing new relationships than we are able to progress in establishing and solidifying the new, more developed level of integration. In other words, thereafter we may once again witness the extensive development of

the EC. This is not something selfish. The contracts we have with our member countries obligate us to do so.

These two circumstances explain why it is not timely for Hungary and for other Central-East European countries to regard full-fledged Market membership as a reality in the near future. There is only one exception, and that is the German Democratic Republic.

I would note however, that since full-fledged membership is not on the agenda, the Community feels a special responsibility toward Hungary. We must use all means to help implement the reform process.

[FIGYELO] To what extent would the agreement of association between Hungary and the EC be similar to the agreements between EC and the European Free Trade Association [EFTA] countries?

[Wegter] I believe that similarities may be discovered in several respects. First of all from the legal standpoint: both agreements will be based on Paragraph 238 of the Rome Agreement. This means that the agreement must be approved not only by the Council of Europe, but also by the [European] Parliament. Also the philosophy of the two types of agreement points in a similar direction: We will reach agreements of association with the EFTA countries in the near future. This means that an agreement may be concluded in early 1993 if it is possible to begin negotiations this month. With this the European Economic Region will have been established. This will be a free trade zone. Cooperation will become strong in terms of economic policy, particularly in regard to monetary policy, environmental protection, etc. I feel that in these fields cooperation may evolve also between the EC and Hungary.

Accordingly, in response to your question I may say that the difference in the agreement between the EC and the EFTA countries on the one hand, and the EC and Hungary on the other, will be not so much of a substantive nature; it will be a matter of timing. But you must understand that the EFTA countries have achieved a higher level of development than Hungary. For this reason, Hungary demands a more gradual approach.

[FIGYELO] Hungary is struggling with a severe structural crisis. Some deep-rooted structural changes must be made in the economy. Considering this situation, would the EC be willing to yield on certain elements of mutuality in favor of Hungary?

[Wegter] This is conceivable. The basic concept calls for the development of a free trade zone between the Community and Hungary, in the framework of the agreement of association. But we understand the need for a long transitional period before this situation may occur. The situation is similar, for example, to the one between Portugal and the EC. We are making a series of exceptions in favor of Portugal in matters that cannot be reconciled with the idea of free trade. But Hungary's preparedness to make its market competitive is essential. There is no way around this.

[FIGYELO] Let me turn your statement around. For example: in 1992 Hungary will begin to manufacture Suzuki cars. These cars will have a certain amount of Hungarian-made parts. Some of these vehicles must be sold in EC countries. How will the EC regard the Suzuki cars: as Hungarian or as Japanese products? And will the general customs duty preference, the GSP apply to this?

[Wegter] I understand that this and similar transactions raise justified questions in Hungary. In principle, we have a situation in which quotas established for the importation of Japanese vehicles must be abolished after 1992. But I still must say that a demand for the entirely free influx of Japanese cars to the EC market is unrealistic, as long as the structural transformation of the EC automobile industry is incomplete. In other words, the principle of gradualness prevails in this case. There is no official position in this regard as of today, because they are still in disagreement about what qualifies as a Japanese car. The positions held by the member countries greatly differ in regard to this issue.

[FIGYELO] Some politicians suggest that Czechoslovakia, Hungary and Poland should act jointly in regard to establishing contact with the EC. Would you agree with this approach?

[Wegter] No, I would not. We should be cautious about globalizing. The situation and developmental level of these three countries differ, therefore negotiations to establish relations must be pursued individually. This does not mean that we would be opposed to regional cooperation between these countries. For example, the development of a payment union among the countries you mentioned is conceivable. Establishment of convertibility cannot take place without the development of some form of financial cooperation among these countries, and among the CEMA member countries. For this reason, in a recent presentation in Berlin, Mr. Andriessen recommended that the Community establish a general loan fund in the amount of 10 billion ECUs [European Currency Units], one that is similar to the loan fund that has been established for Hungary. Interested CEMA countries could draw from this fund certain amounts, according to their needs.

[FIGYELO] This is new information, but if I understand the matter correctly, a position is yet to be taken by the Community on this point. The ongoing economic transformation of East Europe supposedly will be accompanied by large-scale unemployment. As a result of having dismantled the borders, this workforce will exert significant pressure on Western wage levels. Cheap labor could possibly change the trend of capital flow seen thus far. Has the Community prepared itself for this?

[Wegter] Not yet, even though this is one of the key issues of the future, because the free flow of resources—thus also of labor—is becoming a reality. The way I see it: if Western industry is able to utilize cheap East European labor, so be it. The competitiveness of Western industry will only improve as a result. But one

must consider the fact that capital flow is not influenced solely by relative wage levels, but also by other factors which are at least as important as wage levels. True, differences in wage levels between the two Germanys have become the source of social and political tensions already.

[FIGYELO] The Soviet market constitutes a strategic issue from Hungary's standpoint. Consequently, if the Soviet economic situation becomes critical, or if the economy collapses, it may take the Hungarian economy with it. Has the Community given any thought to ways in which a life raft could be thrown in an emergency to the East European countries, including Hungary?

[Wegter] Above all we should realize that the collapse of the Soviet economy is not in the Community's interest, because that could undermine the economic stability of all of Europe. For this reason we are studying intensively ways in which we could contribute to the stabilization of the Soviet economy and to the consistent implementation of the reform processes. We are doing everything [possible] so that the Soviet Union will not feel isolated from Europe. Therefore it is conceivable that cooperative action between the EC and the Soviet Union, which exceeds the framework of the current bilateral agreement, takes place.

If the worst situation you just mentioned comes about, and Hungary becomes primarily dependent on the Western market overnight, the Community would have to examine what could and must be done. I cannot say more than this, if for no other reason because [the kind of] action to be taken by the Community could only be decided upon after specific analysis of the emergency situation.

Structural Distribution of Mercantile Trade Between Hungary and the European Economic Community, Based on Forint Value, in Percentages

	Exports	Imports
Energy resources, electrical energy	0.8	0.3
Materials and component parts	69.2	46.4
Machinery	16.5	7.1
Consumable industrial goods	7.3	17.5
Agriculture and food industry	6.2	28.7

Enterprise Development Fund: Current Status, Future Discussed

90CH0255A Budapest FIGYELO in Hungarian
7 Jun 90 p 11

[Interview with Miklos Pulai, member of the Enterprise Development Fund's Board of Trustees, by Andrea Gallai; place and date not given: "Many Banks, Little Money"]

[Text] The second round of bank allocations of the Enterprise Development Fund credit has come to an end. Compared with the first round when only 600 million forints had been allocated to four banks, in the second round more than twice that amount has been lent out; granted, the number of banks working with preferential enterprise credits has also increased from four to nine.

[Gallai] The Fund has been lending out noticeably more and more money, which is good news to entrepreneurs. What is less encouraging to them, not to mention to our financial institutions, however, is that, so far at least, the Fund's 4 billion forint reserve does not seem to want to grow. How does Miklos Pulai, a representative of bank's interests on the Fund's board of trustees, feel about this situation?

[Pulai] Provided that we are unable to attract additional resources, at the current rate of demand our starting reserves will be exhausted by about this time next year. Naturally, if it had to rely solely on its interest earnings, the Fund's latitude of freedom would be severely limited. The Board has already contacted several organizations, including the appropriate agencies of the Common Market, which have expressed a willingness to extend to us a credit line of 21 million ECU's [European Currency Units]. We will already know this year whether or not we have a deal; if so, then we will be able to maintain our current rate of credit lending. In the fall, incidentally, the Board will allocate another 600-700 million forints in credits to the nine banks, who have since been joined by another applicant.

[Gallai] Doesn't it seem to you that there are too many banks, and too little money to go around?

[Pulai] After selecting the four banks to be included in the first round, the Board decided to use competitive bidding for choosing additional banks to manage its credits. The truth, of course, is that it did approve all applications. Several banks have already indicated that their existing national network makes it very difficult to get their 100-200 million forint credit allocations out to the end users. And this argument is impossible to challenge. All considered, however, there are nevertheless also advantages to allowing practically every financial institution to participate in the lending out of Enterprise Development Fund moneys. Specifically, it gives them an opportunity to gain experience in dealing with small-scale entrepreneurs.

[Gallai] Could you tell us about some of the factors that were taken into account in considering bank applications?

[Pulai] We looked at the bank's contributions to the Fund, its existing network, its experience in dealing with enterprises, and the nature of its credit request.

[Gallai] And what about its plans in terms of its future role within the business sector?

[Pulai] This was indeed left out from among the application requirements. And here I should also add that the fund as a whole has been somewhat haphazardly managed, in that decisions have been made too quickly, often without real justification.

[Gallai] Has the Board made any decisions regarding permanent capital investments?

[Pulai] So far I have no knowledge of any permanent capital investments.

[Gallai] What is the role of Kulcs, Ltd. which had been so widely publicized during the first round of credit allocations?

[Pulai] Kulcs, Ltd. is not involved in lending. The firm has been commissioned by the Board exclusively for the purpose of managing the Fund's money. In other words, they are the ones responsible to ensure that whatever capital is available is properly invested, and to manage the financial affairs of the Enterprise Development Fund Agency, which was established on 1 June. While on the subject of our financial affairs, I should also point out that in addition to the moneys it hopes to receive from foreign organizations and the Hungarian state, the Fund also has an opportunity to attract new resources by issuing its own bonds which could be an effective way of raising capital.

Enterprise Development Fund Credit Allocations

First Phase	Millions of Forints
Postabank	150
MHB [Hungarian Credit Bank]	150
OTP [National Savings Bank]	250
Dunabank	50
Second Phase	Millions of Forints
Postabank	100
MHB	400
OTP	500
Dunabank	50
OKHB [National Commercial Credit Bank]	200
Savings Bank	150
Innofinance	20
General Enterprise Bank	30
Real Estate Bank	50

[Box, p. 11]

On the Horse Facing Backwards

Should there be special banks for small businesses? The question is being raised more and more often, and not only in banking, but also in government circles. And there would be nothing wrong with the idea if only they did not identify small businesses with the small banks. After all meeting their special needs requires many more

services, and since instead of 10 or 100 million forint increments their needs are limited to around 10 to 100 thousand forints, there is also more administration involved.

It is clear that financial institutions that deal with such businesses can expect considerably lower profits. Everywhere in the world, however, the banks that are the most successful are also those that view today's small businesses as potentially large future clients. Building trust requires hard work, services and cheaper loans. And only large banks are prepared to absorb the costs involved in this kind of trust building. Not to mention the fact that only firmly established large banks have the capability of providing special data banks, setting up branch networks and of course, bringing together properly qualified teams of experts.

One should be able to experiment with many banks, including the small ones, and leave it up to the almighty market place to determine which bank suits what category of entrepreneurs. It would not hurt, however, to start targeting our resources a little better, and to keep in mind that in the absence of available credit even those banks that are committed and sympathetic to the small businesses will eventually lose interest in that category of customers, and also that it is now, and not a few years from now that these businesses need to have a financial network that suits their needs and promotes their operation.

POLAND

Integration of Coal, Gas, Petroleum Energy Sources Viewed

90EP0640A Warsaw ZYCIE GOSPODARCZE
in Polish No 20, 20 May 90 p 9

[Article by Aleksander Spilewicz: "The Power Industry of the 1990's"]

[Text] The high level of energy-intensiveness of the Polish economy results from the outdated fuel structure. The ratio of the supply of coal to hydrocarbon fuel (petroleum, gas) is 4:1. The unit energy output takes on the ratio of 1:3. Thus, the energy output of the domestic fuel structure is measured with an index of 1.4 (coal = 1) whereas structures with inverted ratios (typical for Western Europe) measure with a 2.6 index. Quality is a substitute for quantity. Coal is a low-output fuel in terms of creating profit (useful work). In terms of quality it is heterogenous. It does not do well in storage (spontaneous combustion, loss of heating value). It is cumbersome in transport and in use, and it harms the natural environment. The cost of mining is high, whereas the investment cycle is long-term. Hydrocarbons are free of these drawbacks.

The coal option has created a paradoxical situation. The current cost of the coal supply (hard and brown coal) is 1.7 times higher than the cost of the crude oil supply and

that of natural gas. On the other hand, the current share of coal, in terms of its income producing ability, exceeds the share of the hydrocarbon component only 1.3 times. The point of the matter is that in comparison with 1975, the unit cost of hard coal has risen 1.7-fold and that of brown coal 1.3-fold, whereas the cost of purchasing imported crude oil and gas has returned to the initial level. The cost of the coal supply weighs more heavily and forcefully on the produced income than the cost of more energy-efficient imported fuel supplies.

The cost of domestic coal is among the highest on an international scale. This is the result of the extensive "decoalization" [odweglenie] of economical coal deposits in the Upper Silesian Coal Basin. The industrial mining of the coal basin dates back to 1750. In a nearly 200-year period (up to 1945), approximately 2 billion tons have been mined; however, in the postwar quarter-century (up to 1970)—2.45 billion tons. The subsequent 20-year period (up to 1990) will close with 3.35 billion tons of coal excavated.

"Self-financing" coal came to an end at the end of the 1950's and the beginning of the 1960's. The average depth of the working face increased threefold. The wood lining was replaced with steel lining. Half of the mines constructed after the war turned out to be both investment and economic failures (extremely high cost, poor quality coal, devastated environment).

The cost spiral of coal is the result of the exceptionally difficult conditions of coal deposit strata. In comparison with 1975:

- The output per worker fell by one-third; currently it comes to 33 tons per month (with a 45 to 8 ton spread) and is 3 times lower than in the Ruhr Coal Basin or in Great Britain.
- The consumption of metallurgical products increased twofold; currently, it comes to 10kg per ton; investments and use between 1971 and 1985 entailed 15.9 million tons of these products (equivalent to 25 million tons of crude steel) with a return of almost 6 million tons of scrap.
- Electric energy consumption increased 1.5 times; currently, it comes to 50 kWh per ton; it consumes 10 percent of the capacity of the country's electrical power system.

Attempts at making the coal industry profitable by raising prices have thus far ended with failure. The result has been intensified inflationary shock—the evolution of selling prices, calculated cost, and zloty subsidies per coal unit between 1987 and 1989. The selling price rose 2.7-fold (from 5,200 zloty to 13,800 zloty per ton); the calculated cost rose 5.4-fold (from 6,300 zloty to 33,900 zloty per ton); and the debit outcome on sales increased 18-fold (from 1,100 to 20,100 zloty per ton).

Owing to the compensatory accounting mechanism, the financial state of the least and most expensive mines

with standard quality and nongraded coal was nearly identical. This mechanism continues to function like a bomb with delayed action. This is perhaps the greatest threat to Leszek Balcerowicz's adjustment program. The newly introduced selling prices (on the spot at the mine) are totally adequate in relation to transaction prices. The crux of the matter lies in that the actual cost of coal mining is at least 1.5 times higher [my own estimate] than the "transaction" cost.

The actual cost of coal constitutes the biggest blank spot in the postwar history of the country's economy. The calculated cost does not correspond to the actual cost because it does not take into account reimbursement for mined resources; it compensates only to a minimal degree for environmental damage; does not take into account interest on capital frozen in the long-term investment process; and operates openly with a deflated cost of electric energy, heat, and water.

The "estimated cost" of mines continues to show a surprising agreement with the implemented proceeds. It is an ex post facto product obtained after adding up the monthly proceeds from coal sales. There continues to be a lack of action intended to lower costs. Waiting continues in the hope that the government will bend under the pressure and increase subsidies. This would mean a total disaster of immeasurable consequences.

The spring of this year is creating a unique opportunity for the marketing of coal. A reduced demand, adequate supplies, low petroleum and gas prices make it possible for the government to invite bidding for coal supplies for power plants and coking plants (a total of approximately 70 million tons which constitutes half of the country's consumption according to guaranteed prices in line with transaction prices) and introduce free coal prices for the remaining consumers no later than May-June of this year. The automatic process of closing down mines with the highest operating costs and the lowest grade coal will take place. This ought to be accompanied by the creation of joint stock companies for the management of mine assets (WMK [expansion unknown]); the productive employment of laid-off crews; and the reutilization of fixed assets (motors, pumps, transport equipment), structures, and buildings while making use of one's own workshop-construction facilities. This opportunity should not be missed.

The coal option has brought about a "more energy, less profit" syndrome. This is illustrated by last year's closing supply of power in per capita terms (amounts in parentheses are for 1975). The closing supply was as follows: hard coal—1,050 kg (1,090); coke—350 kg (450); steam and hot water heat—5,200 thermal kWh (3,800); natural gas—280 cubic meters (190); light fuel oils—235 kg (220); heavy fuel oils—50 kg (60); as well as electric energy 2,920 kWh (2,200) including industry and so-called large-scale consumers—1,600 kWh (1,550); PKP [Polish State Railroads] electric locomotion—160 kWh (115); and the housing-communal sector—1,160 kWh (535). The per capita produced income came to \$1,900

as opposed to approximately \$2,300 in the mid-1970's. The outdated structure of nonelectric constituent supplies put pressure on the most expensive energy source, i.e., electricity.

As a result of the coal option, the domestic "heat market" utilizes five times more coal per unit of population (in the form of coke) than EEC countries. On the other hand, it uses one-fifth of fuel oils and one-fourth of natural gas.

The structure of rates and prices of energy sources is still outdated. Under pressure of the coal advocates [akty-wokracja], coal prices were raised while forgetting about the correct ratio: coal-gas-electricity. In L. Balcerowicz's adjustment program, these ratios improved with regard to industrial consumers. However, this was not done with regard to gas and electricity prices in the housing-communal sector.

A paradox has resulted. Gas for the population is 5.6 times cheaper than for industry. Electric power is 2.2 times less expensive for the population than for industry. A gigajoule in the form of coal costs 11,600 zloty (\$1.22) and the population pays just as much as industry; when in the form of gas, industry pays 27,000 zloty (\$2.84) and the population pays 4,800 zloty (\$.50); in the form of electric power, industry pays 94,400 zloty (\$9.94) and the population pays 43,000 zloty (\$4.52).

The distorted price proportions were, and continue to be, a source of outrageous electrical energy waste in all sectors of the economy. Adding heat "by cable" has become the rule. The low cost of electricity, against the background of gas shortages and the failure (nonflexibility) of the remote-heat supply system, reinforces this situation. It is the main cause of uneven loads and low utilization of power from power plants.

This year, the government has a unique opportunity to:

- Balance electricity and gas prices for the population with industrial prices (in two-month stages).
- Eliminate reduced rates (allowances) for a significant group of so-called rate-scheduled consumers (those who receive payments in kind).
- Refund the resulting burden with a suitable compensatory supplement to wages and pensions.
- Reform the system of soliciting payments from an "advance" billing system (according to computer projections based on the previous year) to an "actual" one (the amount actually used according to the meter reading).

The country's electrical system is marked by the underdevelopment of high tension networks, especially on the so-called eastern wall, as well as atrophy of intervening megawatts for flexible responsiveness to seasonal changes in energy use. Both factors have a negative bearing on the use of generated capacity, causing losses

in transmitting (nearly two times higher than in countries with market economies), undermining the reliability of power supply, and affecting the quality of supplied energy (voltage, frequency).

The coal option has forced a nonflexible structure of generated capacity. The percentage share of basic generated capacity (based on brown coal) comes to 31 percent, but that of near peak generated capacity (based on hard coal) comes to as much as 60 percent. Peak-pump power (nine percent) gives the system flexibility with mediocre results. The greatest regulatory need collides with the low water level during the fall-winter season. The increase of generated power outpaces the rate of energy delivered to the end consumers. Last year's generating capacity of public utility power plants was 1.65 times greater than in 1975, whereas the amount of supplied energy, as registered on meters to end consumer, rose 1.48 times.

Controversy surrounding nuclear power plants is continuing. The nuclear option is inflexible in terms of supply and, therefore, inadequate for the needs of the domestic system. It is highly capital-intensive with a long construction cycle; extremely intolerant of quality oversights (human and material); dependent on monopolistic supplies of the fuel cycle (the delivery of new elements, removal of burned out ones) and specialistic equipment components; dependent on supervision and changing requirements of international organizations (during the stages of construction, placing in service and actual operation); continues to be burdened with the unsolved problem of storing radioactive waste and the dismantling of worn out reactors; has long repair cycles and, therefore, limited power supply reliability and guarantees; causes high-level thermal contamination of the water supply and the atmosphere in a country not abundant in water; and its safeguard systems do not guarantee total protection against the possibility of radioactive contamination with immeasurable consequences.

I am opposed to the nuclear option. On the other hand, I do perceive the possibility of locating an intervening power plant in Zarnowiec, that would be gas operated in a steam-turbine cycle. Additional generated power is not needed by the economy. What is needed is the restoration of and added flexibility in the existing, current-generating capacities (the implantation of intervening megawatts).

Poland has a unique opportunity to make a quick and radical conversion from the "coal" option to the option of balanced ratios: "coal-gas-petroleum" ("WGR" for short). This is favored by international organizations interested to a large degree in environmental protection (this substitution eliminates the emission of SO₂, reduces the emission of carbon dioxide by two-thirds, and limits the greenhouse effect). Also conducive to this conversion is the country's efficiently functioning system of transporting and storing gas; the brief period of time needed for a return on the capital outlays for new gas pipes, compressors, and internal systems; low and falling

gas prices; the growing number of bidders (Norway, Algeria, Nigeria) eager to enter into long-term contracts; easy adaptability of ports (Gdansk, Szczecin) to the receipt of liquid gas; the country's geographic location facilitating transit transfers of the gas in east-west and north-south directions; as well as social aspirations and readiness to engage the population's own resources via "gasification committees."

"Coal-Gas Petroleum" Option for 1990 Through the Year 2000

	1990 (Projected Implementation)	1995	2000
MINED OUTPUT¹			
Hard coal	160	140	120
Brown coal	72	72	72
Natural gas	3.5	3	3
Petroleum			
NET IMPORTS			
Hard coal	- 28	- 28	- 28
Natural gas	8.2	13	22
Petroleum	14	14	20
Light fuel oil	1.7	4	5
GROSS CONSUMPTION			
Hard coal	132	112	92
Brown coal	72	72	72
Natural gas	11.7	16	25
Petroleum and light fuel oil	15.7	19	25
CONVERSIONS AND SPECIFIC CONSUMPTION			
Hard coal	97	85	70
—Public utility power plants	50	45	40
—Coking plants	20	18	18
—Refineries			
—Industrial and heating plants	24	20	10
—Private consumption	3	2	2
Brown coal	72	72	72
—Public utility power plants	70	70	70
—Industrial and heating plants	1	1	1
—Private consumption	1	1	1
Natural gas	1.7	5	12
—Public utility power plants	0.5	2.5	7.5

"Coal-Gas Petroleum" Option for 1990 Through the Year 2000 (Continued)

	1990 (Projected Implementation)	1995	2000
—Coking plants	0.4	0.5	0.5
—Industrial and heating plants	0.2	1.5	3
—Private consumption and systems losses	0.6	0.5	1
Petroleum	14	15	20
—Refineries	14	15	20
FINAL CONSUMPTION			
Hard coal	35	27	22
—Industry and large-scale consumers	8	7	7
—Transport sector	2		
—Household-communal sector	25	20	15
Coke	12	11	11
—Industry and large-scale consumers	10	10	10
—Transport sector	0.2		
—Household-communal sector	3	1	1
Heat (in billions of kWh)	190	220	250
—Industry and large-scale consumers	130	150	175
—Transport sector			
—Household-communal sector	60	70	75
Natural gas	10	11.5	13
—Industry and large-scale consumers	6.5	7	7.5
—Transport sector			
—Household-communal sector	3.5	4.5	5.5
Heavy fuel oil	1.8	2	2.5
—Industry and large-scale consumers	1.8	2	2.5
Light fuel oil	8.7	11	12
—Industry and large-scale consumers	0.9	1.5	1.5
—Transport sector	2.1	3	3.5
—Household-communal sector	5.7	6.5	7
Electric energy	105	125	140
—Industry and large-scale consumers	60	70	80
—Electric locomotion	5	5	5

"Coal-Gas Petroleum" Option for 1990 Through the Year 2000 (Continued)

	1990 (Projected Implementation)	1995	2000
—Household-communal sector	40	50	55
1. COST OF FINAL CONSUMPTION (1989 Prices) in Millions of U.S. Dollars	9,604	10,780	11,705
—Hard coal (\$30/ton)	1,050	810	660
—Coke (\$80/ton)	960	880	880
—Heat (\$5/MW)	95	110	135
—Natural gas (\$0/1,000 m ³)	800	920	1,040
—Heavy fuel oils (\$80/ton)	144	160	200
—Light fuel oils (\$150/ton)	1,305	1,650	1,800
—Electric energy (\$50/MWe)	5,250	6,250	7,000
2. REVENUE GROWTH (1989 = 100)	95	121	155
3. ENERGY-INTENSIVENESS, Items 1:2 (in Millions of U.S. Dollars/pkt.)	1,011	891	755

¹ Hard and brown coal as well as petroleum are in millions of tons, natural gas in billions of m³

YUGOSLAVIA

Markovic Adviser on 'Forced Reprivatization'

90BA0231A Zagreb DANAS in Serbo-Croatian
10 Jul 90 pp 26-27

[Interview with Professor Ljubomir Madzar by Dimitrije Boarov; place and date not given: "Head on the Block"]

[Text] Professor Ljubomir Madzar is a member of the innermost circle of the leading Yugoslav economists, not just because of his experience, independence, and the impartiality of his scientific views, but also because he was one of the creators of "Foundations of Economic Reform," the crucial stabilization document, and today he is in a less high-sounding but very influential position as one of the economic advisers of Federal Executive Council [FEC] President Ante Markovic. The reason for this interview is the circumstance that people familiar with Prof. Markovic's views recognized a considerable number of his ideas in the project for "recapitalization until privatization," which was recently proposed by Ante Markovic in the Yugoslav Assembly.

[Boarov] Prof. Madzar, why are people working on a certain form of the "forced reprivatization" of social property?

[Madzar] First of all, I have to say that there is no reason for constantly avoiding any sort of coercion with respect to employed Yugoslavs. During the past decades they have had various privileges, primarily compared to the unemployed, and there are about 1,200,000 of them. Those who were employed formed a considerable part of their earnings at the expense of contributions from other factors of production, primarily social capital, i.e., outside of and independently from their labor. Then they were in the situation of managing a large portion of social wealth without any property-related responsibility, and often raised their current incomes by literally "eating away" at the substance of social funds. I am not talking here about that sector of employees who are really paid miserably and who live on the very threshold of biological existence.

Consequently, forced reprivatization could be acceptable.

[Boarov] Do you mean that there is an ethical justification for it?

[Madzar] Both ethical and economic, which consists of the fact that those who have the opportunity to make decisions have their own property behind those decisions, and not just social property. This is because whenever the authority to make decisions is divorced from responsibility, those decisions cannot be economically rational.

Consequently, even if privatization were forced, I would not have anything against it. This privatization being proposed, however, is not forced. In fact, it is voluntary, and part of the increase in incomes is being provided in the form of shares. Whoever does not want to be an owner, and who does not like the idea of privatization, does not have to accept that part of the increase in income. This preserves his freedom not to be included in that process.

[Boarov] Why was the version with exclusive payment of surpluses in shares changed, and then bonds appeared?

[Madzar] As far as I am aware, in the first version the entire increase in personal incomes was supposed to be in the form of shares, i.e., not a single dinar of the increase is given in cash. To be honest, I was actually in favor of such a solution, because I think that control over the distribution of income is necessary as long as we have social property. Everyone already knows today that social property is not property, and an economy that does not have an ownership component included in itself does not have that defense immunological system in the distribution process. That economy is vulnerable to an "attack" by employees; if I may put it that way, they are willing to "eat up" buildings, machines, and books, just to ensure their personal incomes.

[Boarov] One might say, then, that your idea is that whoever is dissatisfied can try it himself?

[Madzar] Yes. All those who think that they are worth more than they are paid in the social sector ought to go into the private sector, where no sort of control over incomes would be introduced under any conditions. As long as someone is in the state crib, if I may put it that crudely, he should not hope for too large an income. Whoever is worth more should prove it in the private economy. When that version appeared, the increase in wages and shares seemed rational to me, because employees are given the possibility of a larger income, while at the same time they are not "pumping" any additional monetary incomes, with inflationary pressure, into the system. At the same time, we are trying to diversify ownership in the social sector. Unfortunately, the law turned out in the end to be considerably different from the one that we discussed in the FEC. That was how that 25 and 50 percent of increases in securities unexpectedly appeared.

[Boarov] If shares are only being partially used now, why are they of an internal nature?

[Madzar] If the share were external, it would have to meet conditions that can hardly be met today. In the first place, it would have to correspond as much as possible even when printed to the real market value of the enterprise. Since we have not had, and in effect still do not have, a real capital market that would inform us of how much an enterprise is worth, the legislator had to decide on the book value as the basis for issuing the shares. That very fact of proceeding from a value that certainly does not correspond to the market value, which no one even knows, suggests the solution with internal shares, because external shares are publicly verified everywhere in some way, by some state or expert body that will confirm their worth.

[Boarov] And how would any body arrive at the real value? Isn't it simpler, and actually the only thing possible, to let quotations for those shares reflect the market, i.e., real value?

[Madzar] Experts on shares claim that they must first be professionally verified, because shares are a dangerous thing. Large speculations, frauds, price manipulations, etc., are possible. I think that it would be very dangerous to get into that business without those mechanisms for the functioning of a securities market. Chaos would only discredit the idea of a capital market and would "vaccinate" us against that market for the next 10-15 years. That is why we have to be extremely cautious, and so it is reasonable to have the shares we are talking about be internal ones at first.

[Boarov] In that way the owner virtually moves into the enterprise. What do you think about the situation of the legal owner of social property?

[Madzar] With respect to "internal owners," one of the advantages is that we can determine it more easily, and can also make use of administrative pressure—which is not possible with external owners. It is hard to force a free owner to buy a share. For example, which share

would you buy, from which of our enterprises? Until recently, I thought that I would buy Elan shares, but now it seems that it has gone bankrupt. Perhaps I would buy stock in Javor, in Ivanjica....

[Boarov] Do you see any dilemma between accelerated and gradual reprivatization?

[Madzar] I feel that there is no dilemma; it has to be gradual. It is well known, for example, that in England they reprivatized seven percent of the economic funds in 10 years. That is an enormous job, with many steps. I do not hesitate to say that it is an enormous conceptual problem and a job that in practice cannot be planned as a whole; we will have to learn a great deal in the course of it. We will only know what kind of reprivatization we need when we have advanced much further in that process.

[Boarov] Naturally, all of that should be done in order for us to reach a market or owner economy. Do you still maintain the position from your debate with Bajt—that a manager is not an entrepreneur, and only an owner can be one—whereas we are seeking an entrepreneurial economy?

[Madzar] I have stood by that idea. Entrepreneurship is undertaking risky enterprises, with an uncertain result, and so only one who is risking his property can seriously engage in it. Naturally, a wise owner will always use the knowledge possessed by experts and professional managers, but the owner is the one who in the end has to "put his head on the block."

[Boarov] Consequently, if entrepreneurship without owners is possible, it would not be necessary to change all sorts of things in Yugoslavia. Could intelligent and independent entrepreneurs operate better in the name of the state and the people?

[Madzar] Correct. If ownership were not essential, the American and Soviet economies could be the same, and everything would lie in the area of training qualified management personnel. Ownership, however, is the soul of the economy.

[Boarov] At a recent economists' conference in Brioni, it was emphasized that without a transformation in ownership there cannot be a new development cycle either. After all of the packages, what are the prerequisites that are necessary for that new cycle?

[Madzar] I think that there is no prospect for a new development cycle in the foreseeable future, regardless of what is being done with institutional changes in the system, and especially if the changes are slow or small. Our economy is still not capable of investing rationally. Just take the funds from this Serbian bond drive, in which about \$50 million was collected; to the best of my knowledge, the economy has not even been able to use that.

If a profound institutionalization of the changes is carried out, even then it will not be possible to speak of any

upswing in investment. Our enterprises and banks, for example, are still getting loans at about 50-to-60-percent real interest—for wages. That is a suicidal move, both for those giving and those receiving the loans. There cannot be any rational investment with economic organizations like that.

You know, we are carrying out a general renovation of the system, and wherever you have a general renovation, you cannot expect accelerated production immediately, while it is still under way; instead, you are satisfied if there is not too much of a decline. That is why I think that it is unreasonable to talk about a new development cycle; on the contrary, we have to reconcile ourselves to a long period of stagnation, and perhaps even decline. Today a large part of the economy is contributing to the social product, but at the price of expenditures that are higher than the results. If we want to revive the economy, we have to eliminate such sectors—and something can be abolished much faster than something new can develop. It is necessary to get rid of the accumulated rotten fabric, even at the price of a prolonged decline in the social product.

[Boarov] Markovic and the FEC are accused of conducting a recessionary policy. Can't something be done, however, to revive production?

[Madzar] It could be increased, but that would not be correct in the present situation. Nevertheless, something can be done to moderate the recession, primarily by reducing the fiscal burden. Not discarding or reducing the discount rate—that will at least have a small psychological effect. The freeing of personal incomes, however—and the resulting pressure on prices—can lead to overvaluation of the dinar, and that would threaten the stability of its exchange rate.

[Boarov] This brings us to the eternal question—is the burden of stabilization correctly distributed, regionally, socially, and by industry?

[Madzar] In the first place, I think that a discussion of how the damages and benefits of stabilization are distributed is extremely unproductive and harmful. We have to realize that we are all jointly victims of an irrational system, that we have had several decades of bad luck, and that we must all act with more solidarity in the face of the nightmare that is pressing upon us all.

In the second place, various transfers have been discussed, but I am very firmly convinced that there have been no reliable quantifications of those transfers. The only thing that I can say is that agriculture suffered in the former so-called socialist system, along with the peasantry and everything associated with agriculture. That means that those parts of the country where agriculture is better represented paid the considerable bill for industrialization. That is the only thing that I can assert, but I am afraid that it does not help much. The real victim of the socialist experiment is the peasant, and not the worker—a young man in a village could not even get married.

In healing the consequences, since everyone is dissatisfied, it is necessary to work toward packages of measures, such that you lose in one place and gain in another.

[Boarov] The dissatisfaction is so great that it is obviously necessary to aim at a new agreement on Yugoslavia. In your opinion, what would be the "absolute minimum" for Yugoslavia in the economic sphere?

[Madzar] I think that the absolute minimum is monetary policy and foreign trade policy, including the dinar exchange rate policy. Everything else should be agreed upon. I also think that it is high time for all of us to realize (especially we in the East) that it is inappropriate to insist upon a greater degree of union than suits our partners in the agreement. I even think that it is humiliating.

Otherwise, the structure of the costs and benefits from that union is unclear; it is not as simple as it appears to some of us—that if there is as much union as possible, we will all be happier and better. In the end, some people are poor, and others are rich, and, as my friend Slobodan Jovanovic says, in a completely different context, I am not sure that both sides will profit if a peasant with a lot of land, a tractor, and one child becomes associated with one with a small field and many children. In other words, the economic position of the different parties in that

unification is obviously different, and it would be a real miracle if they now all benefited equally from that higher degree of union.

At any rate, if someone benefits from union, he, and only he, is qualified to make that assessment. We who think that union is a beautiful thing—and I am personally in favor of union—cannot interpret the interests of those who are now supposed to join with us in that "coalition," and try to persuade them that it is good for them when they do not see that.

And finally, it is very significant to me that, for example, in Slovenia and even in Croatia (with the exception of the Serbs), there are no political organizations that are going public with union as a platform. In a pluralist environment, if any potential existed for the idea of union, movements to exploit it would certainly appear. I do not see that, however, but I hope that there will be such movements in the future.

In any case, there are not too many elements in favor of any degree of union that seemed possible and necessary to us until recently. I note that with sorrow, but it is necessary to accept the facts and have a rational attitude toward them. We have to try to reach agreement democratically and patiently. I love Yugoslavia, but I do not support a Yugoslavia in which anyone would feel himself to be cheated.

END OF

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